

## **SPAIN COUNTRY COMMERCIAL GUIDE FY 2002**

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This Country Commercial Guide (CCG) presents a comprehensive look at Spain's commercial environment using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Spain and the U.S. enjoy excellent bilateral relations as industrial democracies and NATO allies. Spain provides the U.S. with one of its largest export markets. In 2000, in dollar terms, the U.S. enjoyed a USD 2.5 billion trade surplus with Spain. During that time period, U.S. exports to Spain were USD 8.0 billion and U.S. imports from Spain were USD 5.5 billion.

Major U.S. exports to Spain include telecommunication services, pollution control and water resources equipment, franchising, telecommunications equipment, medical equipment, electric power systems, and automotive parts and accessories. U.S. agricultural exports were dominated by oilseeds, grains and grain by-products, and forestry products.

All indicators confirm that 2000 was an excellent year for the Spanish economy. Economic growth rose from 4.0 percent in 1999 to 4.1 percent in 2000 and is projected at 3.2 percent for 2001. The economy also benefited from the government's fulfillment of the European Monetary Union's convergence criteria.

The macroeconomic objectives established by the Maastricht Treaty of 1992 link the EU countries and drive their economic policy decisions. Spain's economic progress resulted in its qualification to enter the European Monetary Union in May 2, 1998. In 2000, Spain's economy continued to fall within the Maastricht guidelines with an inflation rate of 4.0 percent, an interest rate of 5.56 percent and a government deficit rate of 0.3 percent.

The Spanish government has been successful in their attempts to decrease the country's debt/GDP ratio, cutting it from almost 69 percent in 1998 to 61.1 percent in 2000, just above the Maastricht criteria of 60 percent. The number is expected to further decrease as the percent of deficit to spending decreases.

On Spain's political front, Jose Maria Aznar of the center-right Popular Party was reelected with an absolute majority in March 2000. Despite its absolute majority, the government continues to seek consensus wherever key social and economic issues are concerned.

Experiencing a recovery since the middle of 1996, industrial production continues to drive the Spanish economy. This recovery has been particularly strong in the metalworking industries, due to increased production in shipbuilding, data-processing equipment, and other transportation equipment. In addition, all indicators show that

services are still an expanding sector marked by growth in nearly all segments, particularly tourism.

The Spanish market is made up of a number of regional markets joined by the two hubs of Madrid and Barcelona. Major business activities occur around these two cities. At all levels, the Spanish government has eased regulations and increased incentives in an effort to attract foreign firms and investments. Except in a few cases, Spanish law permits foreign investment of up to 100 percent of equity. In some sectors, however, disincentives such as high labor costs, inflexible labor laws, and concern for intellectual property rights still exist. Although structural reform packages aimed at rectifying these problems were passed in both 1996 and 1997, reform is far from complete.

The U.S. ranks among the top ten-investor nations in Spain. Latest official statistics show that U.S. direct investment went from USD 11.8 billion in 1999 to USD 25.0 billion in 2000. Nevertheless, U.S. exporters will continue to face competition from EU countries and from Japan. Though U.S. firms must pay higher tariffs than their EU counterparts, they often benefit from lower production costs. In addition, U.S. products are considered technologically advanced and of the highest quality. EU firms, however, offer excellent financing support, after-sales service, and customization of products to fit local market needs.

Sectors of the Spanish economy primed for future growth include: the telecommunications equipment and services markets, which opened completely in December, 1998, and the environmental services and equipment sector, where the government of Spain estimates that USD 33 billion must be invested by the year 2005. Privatization, backed by the center-right administration, will continue to open opportunities in the telecommunications, defense, energy, transportation and aerospace sectors, with total sales expected to reach USD 20 billion.

Other sectors offering good prospects include medical products and services, business services, chemicals, computer equipment and services, electronics, construction and security equipment, cosmetics and jewelry, industrial machinery, travel and tourism. Upgrades in infrastructure are necessary to help develop and modernize Spain, particularly in rural regions, in relation to the rest of the European Union. Future developments will focus on the continued improvement of the highway system, modernization of airports, and investment. Construction and related engineering services will benefit from these projects, which will require investments of over USD 100 billion through 2005.

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## Major Trends and Outlook

Spain's GDP grew 4.1 percent in 2000, up from 4.0 percent in 1999. Growth was spurred by increases in agricultural exports, construction, capital goods investment and most significantly private consumption. International institutions (IMF, OECD, and EU) project growth to be 3.2 percent for 2001 in anticipation of a slowdown and a moderation in prospects.

Spain qualified for the EMU on May 2, 1998. Spain's fiscal and macroeconomic guidelines are determined by its commitment to this stability pact.

*Inflation:* Spain's inflation in 2000 was worse than expected with the year-to-year rate going up to 4 percent. Independent analysts forecast a consumer price index of 2.8 percent in 2001.

*Interest Rates:* Interest rates on ten-year government bonds are the standard against which Spanish rates are compared with its EU partners. In 2000, the Spanish ten-year government instruments were yielding 5.56 percent.

*Deficit:* Spain's composite public sector deficit for 2000 was 0.3 percent. President Aznar has pledged to eliminate the deficit by year-end 2001. This outcome is uncertain, however, as public sector debt rose slightly in early 2001.

*Debt:* The stock of government debt as a percentage of GDP stood at 61.1 percent at the end of 2000. Debt is expected to decline from 2001 on.

*Exchange Rate Stability:* On January 1, 1999, the peseta was fixed to the Euro at ESP 166.386 equals one Euro. The Euro/Dollar rate has fluctuated between USD 0.938 to USD 0.910 between January 1 and March 2001. We expect the Euro/Dollar rate to stay in the USD 0.90 range, or below, for most of 2001. As of January 2002, the Euro will replace the peseta as the official currency of Spain.

Spain's national telecommunications market opened completely on December 1, 1998. The government also liberalized television broadcasting and implemented a regulated authorization system. Other liberalizing measures have followed in the energy sector (electricity, gas, and fuels) and possibly in the management of water services. To ensure the success of the liberalization programs, the government is taking steps to strengthen the Free Competition Tribunal, the regulatory agency established to oversee and coordinate the privatization and liberalization process. The government is passing additional measures to restrict monopolistic practices and to increase judicial oversight of leasing, factoring and franchising contracts.

Financial reform has been geared toward improving mechanisms of corporate finance (especially for smaller companies) and promoting stable savings over the long term. To address Spain's high unemployment levels, the government has implemented two rounds of reform to liberalize hiring practices and the Congress continues to discuss further labor reforms. Reforms include making the labor system more flexible, attracting more women into the workforce, and adjusting salaries to reflect productivity. While Spain's unemployment rate continues to be the highest in the EU, during President Aznar's administration there has been notable success in combating unemployment, almost halving the rate since 1996. Projected unemployment for 2001 is 12.7 percent,

compared with 8.0 percent for the EU. Unemployment for women continues to be substantially higher than the male average, at 20.4 percent compared to 9.6 percent. Labor market reforms in 1994 and 1997 have led to an increased use of "temporary contracts" and job growth. We anticipate that further incremental labor market reform tied to close consultations between the government, union, and employers will be the rule for the foreseeable future.

The gross value of agricultural production rose 3.8 percent in 2000 due largely to good grain and wine crops as well as increased livestock production. Favorable weather was the cause for most of the increase. Crop commodity prices declined 4.5 percent while livestock and dairy products rose by 10 percent. The net result was an increase of 1.1 percent of the total farm income for the year 2000.

Like most developed countries, for the past several years Spain has sustained a dramatic decline in agricultural jobs. In 2000, an estimated 989,000 people held agriculture jobs, down 6.7 percent from a year earlier. Nonetheless, agriculture still employed about 6.7 percent of the country's total employed population and comprised about 2.9 percent of the country's total GDP in 1999.

As part of the "Agenda 2000", the EU heads of government approved a reform of the Common Agricultural Policy (CAP) on March 25, 1999. Reforms were implemented in the arable crops, dairy and beef sectors. Support prices for grains will be cut by 15 percent over the next two marketing years 2000/01 and 2001/02, and a land set-aside rate of 10 percent is fixed for the years 2000 through 2006. Area payments for oilseeds will be reduced to the same level as those for grains. This is expected to have a major impact on the Spanish sunflower seed crop and cause a dramatic reduction in the area in which this crop is planted. In addition, beef support prices will be cut by 20 percent in three steps and, as with grains, the rise in EU production-decoupled payments will not be fully offset by the decline in support prices.

In 2000, the EU also reoriented its wine policies. Instead of the major vineyard-uprooting programs which have been implemented in Spain in recent years, the wine industry will benefit from programs designed to restructure vineyards with varietal changes in order to improve the quality of the wines.

The EU recently approved an extension of the olive oil regime until the 2003/04 marketing year and reformed the cotton regime with the aim of trimming overproduction in the EU. In addition, during the 2001 the EU is expected to implement new support policies for the rice, beef and lamb sectors, all of which are important components of Spain's agriculture.

Livestock, dairy, and poultry have traditionally been the most important sectors in terms of value of agricultural production in Spain, accounting for about 41 percent of total farm output in 2000. However, horticultural crops (citrus, deciduous fruit, olives and olive oil, nuts, wine and vegetables) are gaining importance. In 2000, the value of production in these sectors was equal to that in the livestock, dairy and poultry sectors. Moreover, the horticultural sectors account for over 70 percent of Spain's agricultural exports. Field crops (grain, tobacco, cotton, forage, sugar beets and oilseeds) covered a larger proportion of the total planted area, but comprised only 16 percent of the value of total production last year.

For 2001, unfavorable weather conditions are expected to result in a poor grain crop and pastures. This coupled with lower prices for beef, wine, olive oil and eggs will cause farm income to decline moderately in 2001.

### Principal Growth Sectors

#### a) Agriculture

Soybeans  
Corn by-products  
Hides  
Seafood

Environmental problems created by animal residues in many European countries more populated than Spain are causing livestock raising industries, especially that of swine, to move to Spain. The larger Spanish livestock production coupled with restrictions on the use of certain feeds as a result of the BSE crisis will create more opportunities for U.S. agricultural commodities used in feeds such as soybeans and corn by-products.

Increased Spanish exports of leather products, including footwear, are creating greater opportunities for U.S. exports of bovine leather to Spain.

Increased restrictions for local fishermen to operate in its traditional zones are boosting U.S. seafood product exports to Spain, the second largest fish market in the world, in terms of per-capita consumption.

#### b) Industry and Services

Industry has been recovering since the middle of 1996, particularly in the metalworking sector, due to increased production in shipbuilding, data-processing equipment and other transportation equipment. Manufacturing also showed growth thanks to increases of manufactured food products. Prospects for growth are moderately optimistic in the manufacture of cars, Spain's top export, following a record-setting year in 1999. In 1999, five of the main brands (Opel, Seat, Volkswagen, PSA – Citroën/Peugeot Group, and Renault) beat their own all-time records for production in or exports from Spain. The mining and chemical products sectors remain stagnant. However, mining is expected to recover when Spain increases its gold production.

All indicators show that the service sector is still expanding in nearly all areas: transportation, wholesale and retail trade and tourism. Growth in tourism appears promising in the upcoming years, particularly as Spain continues to restore aging resorts. In 2000, there was a small upsurge in tourism. The balance of payments shows a nominal increase in inflows (10.4 percent). The number of visitors increased by 3.3 percent, bringing the year 2000 total to 74.4 million persons. The number of tourists who spent at least one night in Spain totaled 48.2 million, 3 percent more than in 1999. One out of every eight Spanish workers is directly or indirectly involved in the tourism sector, which generates 10 percent of the GDP with gross inflows in 2000 of 5.6 trillion pesetas (USD 31 billion). Tourism revenue has been the main driver of Spain's current account, with receipts regularly covering the country's growing merchandise trade deficit

Sectors destined for future growth include telecommunications, which continues to register spectacular increases. For example, in the mobile telephone business at the beginning of 2000, the client base totaled over 16 million and grew to 24 million at the end of 2000. In the cable television sector, there is excellent room for growth, considering that only one percent of the population has access to cable service.

Other growth areas include the environment and aviation sectors. In order to comply with EU environmental regulations, it is estimated that Spain has to invest an estimated USD 33 billion in industrial clean-up, sewage treatment, water and air pollution control, and water and soil treatment. In the aviation sector, the EU's liberalization policy has added new local regular airlines to cope with the increased demand for air transport services.

Spain is restricted from making further reductions in infrastructure spending both by previous commitments, such as the Master Infrastructure Plan for 1993-2007 and EU funding conditions, and by the need to stay competitive. Investments to upgrade Spain's infrastructure in terms of roads, airports, seaports and railroads will proceed, whether with public, private or joint financing. Upgrades in infrastructure are necessary to help develop and modernize Spain, particularly in rural regions, in relation to the rest of the European Union. Future developments will focus on continued improvement of the highway system, modernization of airports, and investment. Construction and related engineering services will benefit from these projects, which will require investments of over USD 100 billion through 2005.

#### Government Role in the Economy

The Spanish government influences the economy primarily through regulation rather than through direct ownership, though the government does own part or all of a few of Spain's largest companies. Under the center-right administration, Spain has moved rapidly toward privatization, both out of conviction and because of the limited options available for curbing the budget deficit. Successful privatizations to date include Telefonica, Gas Natural and the petrochemical company Repsol. The remaining state shares of Iberia Airlines were recently sold.

#### Balance of Payments Situation

In recent years, Spain has run significant deficits in merchandise trade (averaging about 2.0 trillion pesetas annually for the last five years) and in net investment income (e.g. debt servicing, 1.0 trillion pesetas for 1997). Receipts from tourism and transfers from abroad (i.e. from the EU) have helped to reduce the current account deficit. However, Spain experienced a big increase in its trade deficit in 2000 due largely to increased petroleum prices, the weakness of the Euro and a loss of competitiveness. In 2000, the trade deficit showed a major increase of 30.3 percent to stand at USD 33.1 billion. The current account balance recorded a deficit of USD 17.7 billion, a figure equivalent to 3.1 percent of the GDP, compared to only USD 1.5 billion deficit in 1998.

#### Infrastructure Situation

Plans for the future expansion and modernization of Spain's infrastructure are expected to require investments in the USD 100 billion range through 2005.

The following statistics relate to the Spanish infrastructure (based on real 1999 figures):

Electricity: 46,600,000 kWh capacity; 157,000 million kWh produced, 4,000 kWh per capita (1992) .

Railroads: 15,430 km total; Spanish National Railways (RENFE) operates 12,691 km (all 1.668-meter gauge, 6,184 km electrified, and 2,295 km double track); FEVE (government-owned narrow-gauge railways) operates 1,821 km (predominantly 1.000-meter gauge, 441 km electrified); privately owned railways operate 918 km (predominantly 1.000-meter gauge, 512 km electrified, and 56 km double track).

Highways: 162,184 km total; 95,089 km national and 67,095 km provincial or local roads.

Inland waterways: 1,045 km, but of minor economic importance.

Pipelines: crude oil 278 km, petroleum products 2,119 km, natural gas 1,666 km.

Ports: Algeciras, Alicante, Almeria, Avilés Barcelona, Bilbao, Cádiz, Cartagena, Castellón, Ceuta, El Ferrol, Gijón, Huelva, La Coruña, Las Palmas (Canary Islands), Mahon, Málaga, Melilla, Palma de Mallorca, Pasajes, Rota, Sagunto, Santa Cruz de Tenerife, Santander, Tarragona, Valencia, Vigo, and close to 200 other minor ports.

Merchant navy: 242 ships (1,000 GRT or over) which includes 2 passenger, 8 short-sea passenger, 71 cargo, 12 refrigerated cargo, 12 container, 32 roll-on/roll-off cargo, 4 vehicle carrier, 41 oil tanker, 14 chemical tanker, 7 liquefied gas, 3 specialized tanker, and 36 bulk.

Airports: 105 total, usable: 99. Sixty of them have permanent-surface runways. Four of these have runways over 3,659 meters, 22 have runways between 2,440-3,659 meters; and another 26 have smaller runways between 1,220-2,439 meters. Madrid/Barajas airport is currently expanding its runway from two to three, thereby substantially increasing passenger and cargo traffic capacity.

Telecommunications: generally adequate, modern facilities; 15,921,000 telephones; broadcast stations - 190 AM, 406 (134 repeaters) FM, 100 (1,297 repeaters) TV; 22 coaxial submarine cables; two communications satellite earth stations operating in INTELSAT (Atlantic Ocean and Indian Ocean); MARECS, INMARSAT, and EUTELSAT systems; one satellite HISPASAT, tropospheric links.

### Political Relationship with the United States

Spain and the United States enjoy excellent bilateral relations. The two governments share common views on a broad range of issues and are allies in the North Atlantic Treaty Organization (NATO).

### Major Political Issues Affecting the Business Climate

Labor market regulations in Spain are extremely rigid. Companies in Spain faced with economic difficulties have problems downsizing staff and encounter Social Security and

redundancy payments. Efforts to eliminate these rigidities have been opposed by trade unions, but some progress was made in a government-encouraged labor market reform pact between labor and management in 1997. Re-elected with an absolute majority in March 2000, the government of President José María Aznar would like to hold another round of "social dialogue" talks on reducing the cost of employee dismissals, which is higher in Spain than in any other EU country except Portugal. [By way of background, one third of all employed persons in Spain are temporaries.] Unions are steadfastly opposed to any further reductions in dismissal costs and it appears that the only way further reductions can come about is if the government uses its majority and passes legislation to that effect, something it has said it does not want to do.

### Political System, Schedule for Elections and Orientation of Political Parties

Spain has been a parliamentary democracy since its modern constitution came into effect in 1978, after the death of Dictator General Francisco Franco in 1975. King Juan Carlos I is the head of state, while President José María Aznar of the center-right Popular Party has been head of the government since May 1996. President Aznar and his party were re-elected with an absolute majority in March 2000. The bicameral legislature, or "Cortes," consists of the lower chamber or "Congress of Deputies"—popularly elected at the provincial level—and the upper chamber or Senate, which combines both directly elected seats and seats filled by voting in regional parliaments. In addition to the central government, Spain is divided into seventeen regional units or "comunidades autonomas" which have their own governing bodies including a chief executive or president and legislatures. Some of these regions, such as the Basque Country and Catalonia, have more power than others. The central government is in the process of decentralizing more and more power to the regions, all of which will eventually control spending on health and education as well as on other social programs. Taxes will continue to be collected by the central government which will return revenues to the regions for such programs. The amounts the regions receive will be based on their share of total population, a formula opposed by some regions. Provincial and municipal levels of government with elected assemblies exist as well.

### Distribution and Sales Channels

As a result of the growth of the Spanish economy, distribution has become a key factor in supplying the consumer market. Different sales channels to consumers have developed significantly in the last few years, ranging from traditional distribution methods, in which wholesalers sell to traditional shops and those shops sell to the public, to more sophisticated methods, characterized by an increased presence of large multinational supermarkets, retail-stores and Central Purchasing Units.

The major competitors to U.S. exporters and investors in Spain are Western European firms. Japanese companies are also emerging as formidable competitors. Cost, financing terms, and after-sales service play important roles in a firm's marketability. Since Spain joined the EU, member states' exports to Spain have benefited from lower tariffs than U.S. goods. Beginning January 1, 1993, import duties for all EU goods entering Spain were zero while U.S. goods remain subject to EU's Common External Tariff.



Nonetheless, American products are still competitive with EU exports, often due to the U.S.'s lower production costs derived from economies of scale. European exporters provide generous financing and extensive cooperative advertising and most of their governments support their exporting efforts with trade promotion events. Although U.S. products are well respected for their high level of technology and quality, U.S. firms often fall short of their competitors in terms of flexibility on financing, adaptation of product design to local market needs and assistance with marketing and after-sales service. Spanish procedures follow the rest of Western Europe, where price remains paramount. However, credit terms, marketing assistance and after-sales service are key factors in local purchase decisions.

The use of credit to purchase consumer goods is widely accepted in Spain, particularly in the cities, and banks compete aggressively to offer coverage. All major U.S. credit cards are used, including Visa, Master Card, American Express, and Diners Club. Department stores and some upscale retailers sometimes offer their own credit, particularly for purchases of large ticket items. Consumer credit is commonly used for the purchase of cars and homes. Housing developers, automobile dealers and some manufacturers offer direct consumer financing.

The Spanish market is made up of a number of regional markets joined by two major hubs: Madrid and Barcelona. The vast majority of agents, distributors, foreign subsidiaries and government-controlled entities that make up the economic power block of the country operate in these two hubs. Dealers, branch offices, and government offices found outside these two hubs will almost invariably obtain their supplies from their Madrid and Barcelona contacts rather than engage in direct importation. The key to a foreign firm's sales success is either to appoint a competent agent or distributor, or to establish an effective subsidiary in the Madrid or Barcelona areas. However, investment incentives designed to reward investors for establishing manufacturing operations in less developed areas have dispersed some investment from the major hubs in recent years.

Regional characteristics influence buying patterns. A competent agent or distributor considers regional variation when marketing his or her products. The Basque Country, part of Spain's north coast, and Catalonia, which includes Barcelona, are autonomies with ancient traditions and their own languages and cultures. There are 15 other autonomous communities in Spain (similar to U.S. states) with varying, but lesser degrees of autonomy and cultural identity.

Madrid is Spain's center for banking, administration, telecommunications and transportation and it serves as the headquarters of many large international companies. Barcelona is the capital of Catalonia. It boasts a strong industrial tradition, with primary industries in textiles, paints, chemicals, printing, plastics, electrical engineering, and machinery manufacturing. Barcelona and Bilbao, the Basque Country's industrial center, are Spain's leading ports.

As an important container port, the Bilbao region has extensive shipyards, steel-works, iron-ore mines, chemical and cement works, pulp and paper mills, and oil refineries. In eastern Spain, Valencia is the center of the Spanish furniture and ceramic industries, as well as a major center for citrus fruits and vegetables.

Seville, located on the Guadalquivir River, is the commercial center of Andalusia and is a major source of olive oil, cork, wine and other agricultural products. The free port City of

Vigo, in the far northwest, is one of Europe's most important fishing and fish-canning centers.

### Use of Agents and Distributors: Finding a Partner in Spain

There are various forms of representation agreements available in Spain which may be used to penetrate the market:

#### *- Distribution Agreements:*

Spanish law does not specifically regulate distribution contracts, although court cases have defined the rights and obligations of the parties in certain cases. In addition, the recent enactment of legislation that regulates agency contracts is influencing all distribution contracts.

There are three basic categories of distribution agreements:

1. Commercial Concessions or Exclusive Distribution Agreements: The supplier not only agrees to provide its products to a select number of distributors within a specific territory but also not to sell those products within the territory of the exclusive distributor(s).
2. Sole Distribution Agreement: Includes the provisions in the above mentioned Exclusive Distributor Agreement, but reserves to the distributor the right to supply certain products to users in the territory of concession.
3. Authorized distribution agreements under the selective distribution system: In this case the distributors are carefully selected according to their ability to handle technically complex products and to retain a certain image or brand name.

In general, distribution contracts establish a commercial relationship between the supplier and the distributor, who then resells the products to retailers. The distribution contract should contain conditions regarding the sale of goods, licensing of industrial property, markets or territory, advertising, financing and servicing, among others. The main features of distribution contracts may be summarized as follows:

- (1) The distributor obtains the merchandise from the supplier "in its own name and interest" and assumes the risk of the transaction for later re-sale at a profit.
- (2) The relationship between the supplier and the distributor is a legal relationship within a specific time period.
- (3) The distribution contract may obligate the parties to future purchases and sales.

Ordinary clauses of a distribution contract may cover any subject to which the parties agree provided that the clauses are not contrary to the laws of Spain, morality or public order. The standard clauses of a distribution contract often include:

- (1) The territory covered by the distribution contract and the indication of any exclusive character of this territory.
- (2) Limits to third party purchases.

- (3) Minimum volume of sales and subsequent modifications.
- (4) A pricing system and modifications: periods, pricing, percentage basis, promotions, notifications and the effective dates of new prices.
- (5) The party responsible for executing advertising and financing.
- (6) The duration and extension of the contract and conditions for its rejection and termination.
- (7) Conditions for the repurchase of products.
- (8) Notification of the parties.
- (9) Commercial arbitration may be subject to any legislation agreed by both parties, as long as they have reasonable ties to it. Commercial arbitration is usually subject to the country of one of the parties involved. The contract may also contain a damages clause governing the amount of compensation paid to the parties in the case of annulment or cancellation.

Regarding termination, the courts distinguish between two types of contracts: those for a specific period and those that are indefinite.

Contracts for a specified period will terminate with the expiration of the agreed period, while contracts for an indefinite term may be terminated at any time unilaterally. No express provision establishes the length of the notice period in cases of unilateral termination. However, Law 12/92 on agency contracts (discussed below) provides the period for notification which is one month per year of the term of the contract, up to a maximum of six months.

Spain's courts recognize the right of the distributor to indemnity after the party terminates the contract if the following conditions are met:

- (1) The distributor has increased the customer base, either in the number of clients or in the volume of sales.
- (2) The supplier or a new distributor has taken advantage of the opportunities obtained by the dismissed distributor.

After meeting both conditions, the courts sustain the right of the distributor to claim compensation for goodwill without distinguishing between definite and indefinite duration contracts.

#### *- Agency Agreements:*

Law 12/92 of May 27, 1992, regulates Agency Agreements, implementing the principles of the European Union Directive 86/653. This law establishes that a commercial agency contract is an agreement in which a person or company is bound with another (the principal). The purpose of this union is to advance the principal's business, or to

advance and conclude transactions on the principal's behalf, without assuming the risk of such transactions.

This law establishes:

- (1) The independence of the agent.
- (2) The agent's payment.
- (3) The relationship between the parties.

One main feature of the law establishes a contract in which mutual confidence is essential. The duties of loyalty and good faith govern the agreement and violation may cause the termination of the contract.

Law 12/92 requires that the rights and obligations derived from the agency contract must be upheld by the agent or agent's assistants. The law prohibits the assignment of obligation to a third party (sub-agent) without the consent of the principal. Similarly, the law requires prior consent by the principal if the agent wants to represent goods or services which are similar or identical from other companies. Except in the case of conflict, or an agreement to the contrary, the agent may act freely on behalf of other suppliers.

Beyond the basic obligations to act loyally and in good faith, the agent must:

- \* promote the products and, if empowered to do so, conclude the transactions;
- \* inform the principal supplier of all matters relating to the agency, especially the financial aspects of all parties with whom there are pending transactions;
- \* obey the principal's instructions and company policies (for example, prices, delivery dates, procedure for claims);
- \* receive any claims by third parties regarding defective merchandise in the merchant's name; and
- \* maintain independent accounting for each principal represented.

Beyond the same basic obligations of loyalty and good faith, the principal supplier must:

- \* provide books, catalogues, price lists and other needed literature;
- \* make payments on time and as agreed;
- \* give the agent the information required for the performance of the agency contract;
- \* inform the agent with reasonable notice of the acceptance, refusal, or the lack of performance of each deal obtained by the agent. The agent has the power to judicially request the accounting books of the principal.

An agent's compensation may consist of a fixed amount, a commission, or a combination of both. This law recognizes the right of the agent to receive a commission for transactions concluded through him or her. Additionally, it also recognizes the right of the agent for any other transaction taking place during the term of the contract with any of its clients, even if the agent has not intervened in the operation. Moreover, the agent has the right to receive a commission for all the transactions concluded within three months after the termination of the contract.

The Agency Law establishes that commissions are generated the moment the transaction takes place. The supplier must pay the commissions by the end of each quarter of the fiscal year. The supplier is not responsible for paying commissions on unfinished operations which have resulted from actions beyond the principal's control. The agent's compensation does not include reimbursement for expenses, unless expressly agreed otherwise.

The agency law distinguishes between contracts for a specific period and those that are indefinite. Contracts for a specified period terminate with the expiration of the agreed period, while contracts for an indefinite term may be terminated at any time unilaterally, with prior written notice. Notice of the termination is one month per year of the term of the contract, up to a maximum of six months.

The law also establishes the following as cases that do not require prior notification:

- \* non-performance of contract duties;
- \* bankruptcy or receivership of any of the parties;
- \* death of the agent

The law establishes that an agent can claim indemnity under the following conditions:

- (1) If the agent has increased the customer base, either in the number of clients or in the volume of sales.
- (2) The supplier continues to benefit from the opportunities obtained by the dismissed agent.

The agent is not entitled to any indemnity or compensation when:

- \* the principal terminates the contract because of the agent's breach;
- \* the agent disclaims the contract, unless he or she can prove that the cause is due to the principal;
- \* the principal disclaims the contract based on old age, incapacity or illness of the agent; and
- \* with the consent of the principal, the agent has assigned the rights and obligations of the agency to a third party.

Finally, the law establishes that jurisdiction for all legal actions derived from the agency contract is the legal responsibility of the agent.

#### *- Commission Agency Agreements:*

Commission Agency Agreements are mandates under which an authorized agent (commission agent) undertakes to perform or participate in a commercial act or agreement for the account of another (the principal). Commission agents may act in two capacities:

In their own name, i.e., they are not direct representatives and they acquire rights against the contracting third parties and vice versa.

On behalf of their principal. This gives rise to the effects of direct representation and, accordingly, the principal acquires rights against third parties and vice versa.

The obligations of commission agents are as follows:

- \* To defend the interests of their principals as if such interests were their own and to perform their engagement personally. Commission agents may delegate their duties if they have authority to do so and may use employees under their responsibility.
- \* To account for amounts that they have received as commission and to reimburse any excess amount. They are required to return any unsold merchandise.

In general, commission agents are not liable to their principal for the performance by third parties of related agreements, although this risk is secured by a commission “del credere” under which commission agents are held personally liable for the performance by third parties of their obligations.

Unless their principal consents, commission agents are barred from buying for their own account or for the account of another the goods that they have been instructed to sell, and from selling the goods that they have been instructed to buy.

The main similarity between an Agency Agreement and a Commission Agency Agreement is that, in both cases, an individual or legal entity undertakes to pay another compensation for arranging an opportunity for the former to conclude a legal transaction with a third party or for acting as the former’s intermediary in concluding that transaction.

The main differences are that Agency Agreements involve an ongoing engagement, whereas Commission Agency Agreements involve occasional engagements. In addition, a commission agent seeks to facilitate the conclusion of an agreement but does not ultimately represent either party. The commission agent brings the parties together so that they can conclude an agreement but, in fact, is not party to that agreement, whereas an agent represents one of the parties.

In all cases, U.S. firms should take into consideration that Spain is a participating country in the European Monetary Union and that, in general, companies will benefit from greater transparency in agent/distributor commissions throughout Europe, simplification of compensation plans and greater transparency in reporting revenues to national tax authorities. Contracts signed prior to 1999 will still be valid (no contract can be broken by either party due to the introduction of the Euro). After January 1, 2001, old contracts are also valid, but the peseta value will be converted into Euros, at the corresponding conversion rate. This will not affect other details on contracts, such as interest rates, duration, etc.

### Franchising

Franchising is a system for marketing goods, services and/or technology based on close, ongoing cooperation between enterprises that are legally and financially distinct and independent. Under this system, the franchisor grants a right to, and imposes an obligation on, its individual franchisees to do business using the franchisor’s concept.

In the absence of detailed regulation, parties are free under the Civil and Commercial Codes to enter into any contractual agreement by stipulating the terms and conditions they consider appropriate, provided those terms are not contrary to law, morality or public order. Spanish legislation reflects the Block Exemption enacted by the European Union in 1988. The Law on Retail Trade contains a separate article which defines franchising and makes specific reference to pre-contractual disclosure requirements and the creation of a franchise register.

Nonetheless, when drawing up the contracts, the franchisor should bear in mind the following:

- The contract term and termination.
- Agreements on transfer of know-how, management service fees and levels of royalty rates.
- Submission of disputes to foreign arbitration or courts.
- Agreement including restrictions on free competition. The Royal Decree 157/1992 provides exemption to franchising agreements exclusively affecting the Spanish market provided the terms of the agreement fall within the provisions of the EU Regulation 4087/88.

General requirements under EU regulations to avoid violating antitrust law are:

- The use of a common mark or other distinctive sign and the uniform presentation of premises, in order to preserve the unity of the network.
- The communication by the franchisor to the franchisee of secret, substantial and identified know-how.
- Ongoing provision of assistance by the franchisor.

There are about 940 franchises in Spain. They account for over 7.5 percent of total retailing. Overall projections for the franchise sector in Spain are optimistic. Total sales are expected to grow an average of 12 to 14 percent in the next two years, the number of franchise systems 10 to 12 percent, and the number of new franchised units 8 to 10 percent. Around 71 percent of franchises are Spanish, followed by American and French (9 percent each), and Italian and Dutch (2.5 percent each).

The most important sectors in franchising are retail (specialty), supermarkets, restaurant/fast food, clothing/fashion apparel, transportation/shipping, real estate, travel agencies, and laundry and dry cleaning.

For traditional small retail stores, franchising offers a means of competing with larger stores. In large urban areas, small retailers have few traditional options. They must specialize, associate with other retailers or close. Franchising is a safe and promising new option.

Domestic statistics show that of every five new independent retail operations opened each year, between three and four either change business, ownership or close before

their first anniversary. However, the same survey shows a different outlook for franchised outlets. Four out of five franchises remain open and are still working with the same brand and promoter after their first anniversary.

In the last two years, franchising has grown rapidly. As of January 1, 2001 there were 940 franchise systems operating in Spain, with an estimated 41,000 franchised units. Retail sales by franchised units accounted for about 7.5 percent of total retail sales in 2000. Based on trade statistics, the annual sales for business format franchises in Spain for 2000 were estimated at USD 9.5 billion. Spanish franchisers accounted for 71 percent, followed by the U.S. and France with 9 percent each, and Italy and Holland with 2.5 percent each. The restaurant/fast food maintains first place in the number of franchise systems with 147, closely followed by the clothing/fashion/apparel sector with 143. These two sectors are followed by the retail (specialty), real estate, educational products and services, supermarkets, laundry and dry cleaning, and automotive products and services. The U.S. is regarded as the benchmark and model country in franchising. It is expected that there will be approximately 90 U.S. franchisers in Spain by the year 2002, with total sales nearing USD 1.6 billion.

Analysts believe that the demand for franchising will be sustained in the future. As the market becomes more segmented and requires further specialization in retailing, demand for franchising will continue.

There are various types of franchising agreements, which differ according to their subject matter: industrial franchising agreements (for the manufacture of goods), distribution franchising agreements (for the sale of goods) and service franchising agreements (relating to the provision of services).

Regarding tax treatment of franchising agreements, the nature of the payments by the franchisee to the franchisor should be analyzed since they could be considered as royalties and business income, or only as royalties, depending on the different services rendered and rights granted (if royalties, they are taxed in Spain at 25 percent or at the reduced tax treaty rate, if any).

### Direct Marketing

Direct marketing is becoming one of the most favored marketing and distribution tools in Spain. Market sources indicate that this sector will reach billings of USD 2 billion by the end of 2000.

Several factors have fueled direct marketing in Spain. They include technological advances in printing and distribution, a steady development of credit card use, and changing lifestyles. The Spanish urban population is moving out of the cities to residential areas, which are often away from the main commercial centers. Therefore, they use mail order to fulfill their consumer needs. Also, more women are entering the job market and are seeking ways to save time in making household purchases. Consequently, mail order and TV direct marketing have become increasingly popular and profitable.

Recent sectorial reports indicate that direct marketing is the non-conventional advertising medium (i.e. direct marketing, directories, point of sale advertising, street and road signs, trade shows, promotional items, sponsorship and pharmaceutical



advertising) with the highest increase rate and the one showing the highest level of advertising investment among general advertising media, even over television and newspapers. During 2000, Spanish firms invested approximately USD 9.8 billion in direct marketing advertising. The television direct marketing sector leads the pack with over USD 980 million in marketing investment in 2000.

In 1999-2000, mail order sales registered a growth of 8 percent and reached billings of USD 608 million, 94 percent of which was sales to end users and 7 percent sales to firms (business to business). The main categories are credit cards, cosmetics, health and hygiene, collectibles, etc. (32 percent), books, records and training materials (28 percent), housewares (18 percent), and apparel and textiles (16 percent).

Telemarketing is the fastest growing sub-sector, reaching billings of over USD 980 million in 2000. Increased sophistication in the telephone services offered by Spain's leading telecom company, Telefonica, as well as competition offered by the number of new telecom providers since the end of Telefonica's state sponsored monopoly brightens telemarketing's future.

Television direct marketing companies have been operating in Spain since 1990, when television was opened to private broadcasters. In this short time, it has become increasingly popular and profitable. Spanish companies spent over USD 1.97 billion in television marketing in 2000, a 9.79 percent increase from 1999.

Trust is an important competitive factor in this market. Often, consumers trust the direct marketing firms who are members of the Spanish E-Commerce and Direct Marketing Federation (Federacion Española de Comercio Electronico y Marketing Directo). Membership implies adherence to a number of ethical codes. The Spanish Parliament passed a Data Protection Omnibus Law in October 1992. Known as LORTAD, the law regulates all aspects of data protection against the misuse of personal data.

During 2000, the e-commerce sector made good progress in Spain. According to the Spanish E-Commerce Association (AECE), B2C generated USD 204.8 million in 2000, an increase of 284 percent over 1999. A similar increase is expected for 2001 with current estimates now at USD 460 million.

It is estimated that approximately seven million users have access to Internet, about 20.3 percent of the population. Of this number, only 12.5 percent make purchases online. On average, Spaniards make two to three online purchases a year, spending approximately a total of USD 200.

Industry sources estimate that the figure for B2B for 2000 was in the USD 288 million range. The sectors that use e-commerce most frequently are services (21.1 percent), wholesale (15.7 percent) and the financial and insurance sectors (14.9 percent).

On average, over 24 percent of Spanish firms are now present on Internet (around 204,000 companies) and it is expected that 50 percent will have web sites by 2003. Most companies currently consider Internet as a vehicle to generate greater awareness of their brand name, products and services, while sales rank fifth on the list of their priorities. Most of the leading stores are now online, and utilities are sponsoring the most important B2B marketplaces.

Despite reservations arising from different traditional purchasing habits and concerns about security on the Internet, internet usage is expected to maintain a strong growth, both on the domestic and the business side, over the coming years.

Furthermore, the Spanish Government, in order to promote the new Information Society on the country, has launched a program called INFO XXI, a USD 4.8 billion action plan focusing on different Internet related initiatives, from e-government to providing access from schools and rural areas to the Internet society.

For additional information on the e-commerce sector, you may contact Jesus Garcia at CS Spain or look to the appendix for a list of trade associations:

### Joint-Ventures/Licensing

Another way for a U.S. company to penetrate the Spanish market is through a joint venture. There are different types of joint ventures which companies may pursue. For example, it is common for companies to invest as minority shareholders in existing companies, or to set up jointly controlled companies. Other joint ventures consist of companies that take majority stakes which fall short of full ownership or join temporary arrangements with other companies. A description of temporary joint ventures under Spanish law follows. For other forms of joint ventures, such as setting up a company in Spain with a local partner, see the subsection entitled "Steps to Establishing an Office in Spain."

A group of companies can form temporary business associations (Uniones Temporales de Empresas - UTE) to undertake specific projects for a limited time. This type of association does not have a separate legal personality. Therefore, companies maintain their legal status while allowing common operations under a pre-established set of rules. Foreign companies can enter this type of arrangement.

An Economic Interest Group (Agrupacion de Interes Economico -AIE) is also a type of joint venture between Spanish participants (please note that American companies established in Spain are considered Spanish companies). It is similar in concept to a partnership because its participants have joint and separate liability for their debts. To form an AIE, the participants must execute a public deed, incorporating bylaws, and record it at the commercial register. The internal operation of an AIE is similar to that of a corporation and one can transform an AIE at any time into any other type of commercial entity.

There is also a European version of the AIE, the European Economic Interest Group (Agrupación Europea de Interés Económico -AEIE). This is a cross-border version of the Spanish AIE introduced by EU Regulation 2137 in 1985. A local AEIE is a separate legal entity and must be incorporated in Spain and recorded in the commercial register. In most respects, it is similar in constitution and operation to an AIE.

These three models of joint ventures are tax transparent, and they apportion their income among members. In all of these cases, the members are responsible for losses and profits.

License contracts in Spain may cover industrial property rights (patents, utility models, trademarks), intellectual property rights (rights of use for literary, scientific or artistic works, or software), know-how or other uses of technology. Regarding the contents, Spanish regulations allow the parties a wide range of freedom to negotiate the terms and conditions of the agreement. Even so, there are many clauses common to this type of contract:

- \* exclusive clauses, sometimes complemented with exclusive purchase obligations;
- \* measures to limit the licensor's commercial activity;
- \* confidentiality and non-competition obligations;
- \* obligations relating to improvements and innovations (this includes updating the rights granted to the licensee and communicating to the licensor innovations developed by the licensee); and
- \* indemnification in case of breach of contract by one party.

In Spain, license contracts are only valid if they are drafted in accordance with regulations. License contracts for trademarks, patents, and utility models must be in writing, and the Spanish Patent and Trademark Office must register them before they take effect.

The license contracts covering intellectual property rights (copyright) must also be in writing. If the author of a contract requires it be recorded in writing, and the licensee fails to draft such a contract, the author may rescind the contract. Publishing contracts must also be formalized.

There are other license contracts which are not subject to special requirements or form. Please note that under Spanish law, the term intellectual property is limited to the author's rights (copyright) and does not include patents and trademarks (industrial property rights).

Under Spanish law, a royalty is defined as the consideration paid by the licensee to the licensor for the knowledge transmitted. The knowledge may or may not be patentable, but it must allow the licensee to use it within a commercial or industrial process.

### Steps to Establishing an Office in Spain

The first decision a foreign investor in Spain must make is whether to incorporate a subsidiary (i.e., a separate corporation) or a branch. Both have full legal status and their profits are taxable in Spain.

If the investor decides to incorporate a subsidiary, the next decision is whether to incorporate a public limited-liability company (Sociedad Anonima, SA) or a private limited company (Sociedad de Responsabilidad Limitada, SL or SRL). The structure of the SA is for larger operations and the SL for smaller. Three other kinds of mercantile entity can be formed, but they are not so frequently used: General Partnership (Sociedad Regular Colectiva), Limited Partnership (Sociedad en Comandita), or Limited Partnership by Shares (Sociedad en Comandita por Acciones).

Shareholders in corporations (S.A.) and limited liability (S.L.) companies are not liable for the company's debts. The main differences between them are in their capital (10

million pesetas versus half a million), the number of founding members (three versus two), flexibility permitted at general meetings, transfer of shares and management of an SL.

Companies interested in setting up operations in Spain should obtain legal advice. Major consulting groups and law firms are available to help firms incorporate. A summary of the steps involved follows.

(A) To acquire legal status, an American firm must follow the following steps:

- Registration of company name: Promoters must certify that the name chosen for the future company is not already registered. Applications must be presented at the Central Mercantile Registry. The certification is valid for two months.

- Public deed or incorporation charter: The founding partners sign the constitution deed for the business according to the company's charter. This is done at any of the notary publics that exist in Spain. Both the name certification and the company's charter are required.

- Pay asset transfer tax and legal proceedings document tax: These are taxes paid for new incorporation (they amount to roughly one percent of capital stock). The company has to pay the taxes at the provincial tax delegation where the company incorporates. Necessary documents: a completed form model 600, and both a legalized and simple copy of the Public Deed (provided by the notary public). This must be done within 30 working days from the date of the Public Deed.

- Acquire the Tax Identification Code (locally called CIF - Código de Identificación Fiscal): This number becomes the means of company identification and is required for all transactions. The provincial tax delegation provides the code. Necessary documents: form model 036, a copy of the public deed, and a photocopy of the applicant's I.D. if it is a partner or a photocopy of the power of attorney authorizing the applicant. This must be done within 30 working days from the signature of the public deed. The CIF number must be withdrawn within six months of application.

- Registering the company: The company must register at the corporate registry corresponding to the incorporation address. Necessary documents: first copy of the public deed (provided by the notary public) and certification that taxes (see above) have been paid. On average, it takes two months to complete registration.

(B) To start any economic activity the following are required:

- A fiscal license: Companies must get a fiscal license. This is a local tax levied on fiscal year activities and can be acquired at the local tax administration. Necessary documents: I.D. of the individual or C.I.F. (tax identification code) for companies, I.D. of the legal representative, and motor vehicle tax and technical inspection card if it is a transport enterprise. In some professional services the approved seal of the professional association or bar is required. The individual or company must request this license 15 days before starting any economic activity.

- Census declaration: Companies must register in the corporate census for Value Added Tax purposes and inclusion under the personal tax declaration system. This is done at

the local tax administration. Necessary documents: a photocopy of C.I.F. (tax identification code) and identity card. Documents must be submitted prior to the beginning of business activity.

- Tax books: Regulations establish that companies must reflect different internal operations in special books: an income and sales book, an expenses or purchase book, and an inventory book. Necessary documents: fiscal license and photocopy of I.D. The local tax administration must legalize the books within 30 days following the issuance of the fiscal license. As of January 1999, with Spain's participation in the European Monetary Union, companies may have begun to keep their books in Euros.

(C) Social Security Registration:

- Registration of a company: Once incorporated and ready to start operations, companies have to register with the Social Security system. This registration is unique for each province where a work center exists. The self-employed have to register as well. Necessary documents: a copy of the deed of the constitution of the company and photocopy of the applicant's I.D. or power of attorney. For individual businesses, an I.D. is needed. This procedure also requires a contract with the Workers Compensation Fund. The local Social Security delegation carries out the necessary procedures.

- Opening communication: Communication of the opening of the work center or resumption of economic activity must be done within 30 days of opening. Companies and individual businesses must also keep two logs: a visitor's log and a personnel registration book. This needs to be completed at one of the Social Security's provincial delegations. Necessary documents: details of the company and work center plus a description of business activities.

(D) The town council may require the following procedures (it varies from town to town):

- \* Municipal tax liability depending on the street category.
- \* Construction licenses if there is going to be any work carried out on the premises to adapt it to the new economic activity.
- \* Opening license that accredits that the project's installations conform with municipal regulations.
- \* Notification every time there is a change in ownership.

(E) Other specific requirements

- \* Industry Property Registry for trademarks, patents, commercial names, distinguishing signs, industrial models, etc.
- \* Industrial Registry for industrial activities, workshops, toxic or dangerous substance warehouses, and manufacturing operations of any product.
- \* Company Qualification Certificate for construction, installations and/or electrical repairs, wood and cork sectors, and engineering and consulting activities.

- \* Identification papers or certificate for individual persons or companies involved in electrical installations, gas, air conditioning and compressors.
- \* Special Registry for food industries and wholesale establishments (except supermarkets and hyper-markets).
- \* Special Registry for industries that transform and store agricultural products.
- \* Special registry for manufacturers, importers, retailers and distributors of gambling equipment.
- \* Commencement authorization for bars, cafeterias, restaurants and hotels.
- \* Application license for travel agencies.
- \* Special registry for companies involved in the security sector.

### Selling Factors/Techniques

Until recently, customer satisfaction was not a major concern in Spain. Foreign distribution companies that have entered this market have introduced this concept. Spain passed a new product liability law in July 1994 to protect consumers. Relationships are still very important in selling U.S. products in Spain. This factor is sometimes more important than price or quality, especially in large account sales. The decision-making process within a Spanish company is different from that in the United States. In Spain, for example, the company's leading executives are responsible for decisions. This person takes action after review by different departments, making the sales process longer. An initial "yes" usually means that the company will study the situation, and not necessarily that it will buy the product.

Department stores, hypermarkets, shopping centers and very specialized outlets are introducing the "fidelization", or customer fidelity concept, which usually involves issuing of client cards, cumulative discounts and special offers for frequent customers.

New selling techniques are becoming very popular. Vending machines have spread throughout Spain in the last decade. Direct marketing by mail order, telephone, TV or electronic commerce is growing considerably (see Direct Marketing section). Demand for logistical services is also rising sharply. Otherwise, selling techniques, taking into consideration local tastes, are very similar to those in the western world.

### Advertising

#### *Television*

Almost every Spanish home (99.7 percent) has a television and ninety-one percent of Spaniards watch television each day. Peak viewing hours are 2:00-4:00 p.m. and 9:00-11:30 p.m. Prior to 1990, state-run *Televisión Española* (Channels 1 and 2) and regional stations run by the autonomous governments were the only options available to Spanish viewers. In 1989, the Spanish government authorized the creation of commercial television and issued licenses to three national private commercial channels (Antena 3

TV, Canal Plus, and Telecinco). Under the *Real Decreto-Ley* of January 1997, Spain adopted EU regulations Directive 95/47/CE in order to undertake measures for the liberalization of TV. The Liberalization of Telecommunications Act took effect December 1, 1998, and cable TV is starting to be introduced at a local level.

On January 8, 1999, Spain's Council of Ministers called for a competition to manage the introduction of terrestrial digital TV throughout Spain. Terrestrial digital TV went on the air on June 30, 1999.

### *National Networks*

Televisión Española (Channel 1 and 2): Government-owned Televisión Española (TVE) began broadcasting in 1956. Channel 2 was added in 1965. Funded by the government and private-sector advertising and directed by a government-appointed director general, TVE regularly runs large budget deficits. These deficits, along with criticism by both major political parties (when in opposition) of "politicization" of news coverage, keeps TVE under constant political scrutiny. The flagship Channel 1 continues to be the national ratings leader with 25.6 percent of total audience. Channel 2, with more cultural and educational programs, has a 6.5 percent share. The International Branch of TVE, TVE INTERNATIONAL begun broadcasting in 1989. Although it reaches 14 million homes in the American continent, its potential audience is one of 400 million. It has different contents for Europe and America. It broadcasts Alaska, Canada, West of the U.S, and Mexico through Satellite Telstar 7, and reaches all of the five continents

Antena 3 TV: Antena 3 TV was the first private national network to begin broadcasting, in January 25, 1990. It broadcasts 24 hours per day, reaching virtually all of Spain with 23 percent of the audience. Its main shareholders are State-owned Telefónica Media, S.A. 47,41 per cent, MACAME, S.A. (Banco Santander Central Hispano, S.A.) 12,79 per cent, Banco Santander Central Hispano, S.A. 11,83 per cent and RTL Group and Bank of New York, among others. Since Telefónica Media became its major shareholder, the activities of the Station have expanded. Antena 3 Temática produces the International Channel, that brings together programs broadcasted at a national level, with some other especially produced for its distribution in Latin America by cable.

Telecinco: TV 5, the second private channel, with a share of 21,1 per cent, began broadcasting in March 1990. The Italian company Fininvest is the principal shareholder, together with Telefuturo, of the German media group Kirsch, and the Sotelcin division of Correo Group, one of the most important communication groups of Spain. In year 2000, Telecinco has experienced a significant increase in its viewership -mainly because of the Spanish version of The Big Brother- and its news services are the second more watched in Spain, following closely TVE's.

Canal Plus: Launched in 1989 begun broadcasting in 1990. Belongs to Grupo Prisa's Sogecable Spain's leading pay-TV operator, pioneer in digital TV and interactive services. It is quickly being overrun by the Group's Digital Satellite TV (DST) Canal Satellite Digital (CSD) that includes a wider range of channels and services in addition to Canal Plus's.

Canal Plus quickly grew from the 500,000 subscribers in 1992 to the 1,8 million subscribers, currently representing an audience of more than seven million Spaniards. Canal Plus is the only pay-per-view TV Channel and consists of mostly encoded programming.

CNN+: Also part of the PRISA GROUP, CNN+ started broadcasting in Spanish for Spain and Latin America on January 27, 1999 after an agreement was signed with CNN headquarters in Atlanta. It can be viewed by subscribers of Canal Satelite Digital and offers non-stop 24 hours of news bulletins in Spanish language totally self-produced and using correspondents nationally and internationally.

#### *Autonomous and Local Television*

The seven regional television stations, supported by the autonomous regional governments are: Canal Sur in Andalusia; Catalunya de Radio i Televisió (TV3); Radio y Televisión de Galicia (TVG); Telemadrid; Onda Regional de Murcia; Radiotelevisió Valenciana; Euskal Telebista (ETB) in the Basque country. The stations cover local events but also try to compete with national networks in the arenas of entertainment, cinema and sports. Most of the autonomous community stations have low ratings and are experiencing financial difficulties. In 1990, the Federation of Autonomous Radio and Television (FORTA) was formed to centralize film and sporting rights acquisition for regional television stations, to coordinate their planning and programming processes, and to share news coverage.

#### *Cable and Satellite TV*

Approximately 1.2 million Spanish homes (about 10 percent) have either cable or satellite TV. Of these, the majority, 790,000, have some kind of satellite system while the remainder have cable. Last year's estimated growth in cable and satellite was 150,000. At present, there are only 12 local cable outlets in all of Spain. Under current law, the national government shares licensing responsibility with provincial and municipal governments. Non-European investment is limited to 25 percent.

Analog satellite television (carrying European, American and Middle Eastern stations) is available in Spain. The most widely viewed programs broadcast on Astra and the Spanish-owned Hispasat satellites.

Digital direct-broadcast satellite television, with the capacity to deliver a large number of high quality channels to a very small personal antenna (and the best alternative to wide-spread development of cable TV) is Spain's most promising chance to improve its domestic television system. In July 1998 Spanish-led multimedia groups Via Digital, led by Telfónica and RTVE, with over 300,000 subscriber, and Canal Satélite Digital, led by the PRISA subsidiary Sogecable, with over 500,000 subscribers, signed an agreement to create a common "digital platform." Three months later the two companies broke their agreement due to disputes over rights to football matches. Most experts believe that Spain can financially support only one platform and that only one group will emerge victorious.

#### *Radio*

Almost 60 percent of Spaniards listen to the radio every day, most (two-thirds) to FM. Spain has 16 networks, 811 FM stations and 129 AM stations. Peak listening hours are early in the morning and late at night. The leading radio programs, based upon audience, are the morning talk shows "Hoy por Hoy" with Iñaki Gabilondo on Radio SER (2,004,000) and "Protagonistas" with Luis del Olmo on ONDA CERO Radio (1,422,000).



Followed by “Buenos Días” (1,390,000) with Julio Cesar Iglesias on RNE1 and “La Mañana” with Luis Herrero on Radio COPE (1,206,000). The night talk shows are: “Hora 25” with Carlos Lamas on Radio SER (991,000), “La Linterna” with Federico Jiménez Losantos on Radio COPE (598,000), “24 Horas” with Manuel Antonio Rico on RADIO 1 (386,000) and “La Brújula” with Javier Algarra on ONDA CERO Radio (134,000). The principal radio networks are:

#### Principal Radio Networks

##### **Radio stationLISTENERS**

SER (private - PRISA)4,065,000  
 COPE (Catholic Church) 2,240,000  
 RADIO NACIONAL (government owned)1,925,000  
 ONDA CERO (private)1,784,000

#### Morning Talk Shows

##### **PROGRAMRADIOCONDUCTORLISTENERS**

Hoy por hoySERIñaki Gabilondo2.288.000  
 ProtagonistasOCRLuis del Olmo1.243.000\*  
 Buenos DíasRNE 1Julio César Iglesias1,206,000  
 La MañanaCOPELuis Herrero1,100,000

*Source: EGM as of August 2000*

#### Evening Talk Shows

##### **PROGRAMRADIOCONDUCTORLISTENERS\***

La VentanaSERGemma Nierga563,000  
 Lo que es la vidaRNE 1Nieves Herrero365,000  
 A toda RadioOCRMarta Robles273,000  
 La tardeCOPE Maria Jose Navarro127,000

\*Source: EGM year 2000.

#### Night Talk Shows

##### **ProgramRadioConductorLISTENERS**

Hora 25SERCarlos Lamas991.000  
 La LinternaCOPEFederico Jiménez Losantos598.000  
 24 HorasRADIO 1Manuel Antonio Rico386.000  
 La BrújulaOCRJavier Algarra134.000

Estudio General de Medios (EGM). EGM is a business-oriented auditing organization whose objective is to provide advertisers and investors with information about the audience of Spanish Media both printed and audiovisual. EGM was created in 1968. It is funded by advertisers and the audited media themselves.

### *Wire News Services*

The three major Madrid-based news agencies are EFE, Europa Press and Colpisa.

**AGENCIA EFE:** Government owned EFE was founded in 1939. EFE News Agency gained international prominence in a remarkably short time. In 1966, with the inauguration of the Buenos Aires bureau, EFE entered the American market where AP, UPI, Reuters and AFP were already in close competition.

### *Print Media*

Today, Spain publishes more newspapers and magazines per capita than any other European country. Ironically, circulation figures are among the lowest in Europe and are attributed to the lack of newspaper readership. Only thirty-six percent of Spanish citizens read newspapers every day; of these, sixty-five percent hold a university degree and fifty-four percent belong to the upper middle class.

There are approximately 120 daily newspapers in Spain. Five major media holding companies own most of them: Grupo Prisa, Grupo Godó, Grupo Zeta, Grupo Correo, Grupo Voz. The most influential national dailies are Madrid's left of center *El País*, centrist *El Mundo*, conservative *ABC*, and Barcelona's centrist *La Vanguardia*.

**Daily News Papers:** Thirty-six percent of Spaniards read a newspaper every day. In the year 2000, the circulation of the major national dailies increased a 1.1 per cent with regard to 1999. Over 140 different dailies (mainly local) plus eight supplements are published in Spain. However, sports daily newspaper *Marca* continues to be the paper with the most readership (2,256,000). In Madrid, the major newspapers, which carry international coverage are:

DAILY NEWSPAPERS	CIRCULATION
EL PAIS (Left of center)	435,433
ABC (Conservative)	293,053
EL MUNDO (Independent)	285,303
DIARIO 16 (Leftist)	20,640
LA RAZÓN (Conservative)	38,592
EXPANSION (Economic)	59,334
CINCO DIAS (Economic)	28,274
GACETA DE LOS NEGOCIOS (Economic)	12,981

Barcelona has three daily newspapers, of which *EL PERIODICO* has both Spanish and Catalan language version and *AVUI* is entirely published in Catalan. Each has its own correspondents in the U.S. and receives international coverage from international wire services and the three news agencies headquartered in Madrid. Barcelona dailies:

DAILY / BARCELONA	CIRCULATION
LA VANGUARDIA (Centrist)	205,126
EL PERIÓDICO (Center-left)	194,920
AVUI (Catalán/nationalist)	31,840

\*Source: Oficina de Justificación de la Difusión (OJD). OJD It is a non-profit organization whose objective is to provide useful and timely information about the circulation of printed media for advertisers, advertising agencies, publishers and general use. The OJD was set up on October 20th 1964 and since then circulation audits have been issued uninterruptedly.

*Periodicals:* Fifty-five percent of Spaniards read at least one magazine regularly, but circulation is in decline. More than two thousand different magazines are published in Spain. Some of the most important are:

MAGAZINES (GENERAL INFO.)	CIRCULATION	READERSHIP
TIEMPO (Left-independent)	50,981	179,000
ÉPOCA (Conservative)	N/A	N/A
CAMBIO 16 (Left of Center)	N/A	N/A
ACTUALIDAD ECONÓMICA (Economic)	22,697	80,000
INTERVIÚ (Sensationalist)	150,933	943,000

MAGAZINES (CELEBRITY/SOCIAL)	CIRCULATION	READERSHIP
PRONTO (Sensationalist)	958,524	3,563,000
HOLA	598,279	2,290,000
LECTURAS	308,369	1,521,000
DIEZ MINUTOS (Sensationalist)	246,263	1,233,000

U.S. Non-government Correspondents and Media Representatives: The Associated Press, AP/Dow-Jones, Bridge News, Reuters and Bloomberg Business News have full-fledged bureaus in Spain. TIME, Newsweek, The New York Times, The Miami Herald, USA Today and The Wall Street Journal are also represented in Madrid. Among broadcast media, CBS, ABC and CNN are all represented by stringers; the AP bureau includes the television operation APTN.

#### Product Pricing/ Payment Terms

Pricing practices in Spain are similar to those of the United States, although mark-ups tend to be slightly higher. Products and services in Spain are subject to a Value Added Tax, which is presently 16 percent. A reduced rate of 7 percent is applied to the sale and imports of human or animal foodstuffs, water, agricultural chemicals, pharmaceuticals for animal use, medical and health products, mopeds, personal dwellings, hotel and restaurant services, transportation services, agricultural services, street cleaning services, entertainment services, building and construction services, medical services and funeral services. A further reduced rate of 4 percent is applied to bread, dairy products, eggs, fruits and vegetables, books and newspapers, pharmaceuticals for human use, vehicles and medical items for handicapped people and vehicles for public transportation. The VAT is not imposed in the Canary Islands, Ceuta and Melilla. The General Indirect Canarian Tax of 4.5 percent is imposed in the Canary Islands.

Payments are usually based on 30, 60 or 90 day terms. Large corporations (including large retailers) negotiate or impose longer payment terms that can last up to six months.

The government defers all payments. Depending on the department, payments can be deferred up to one year. Product pricing must also include the necessary financial charges.

Companies in the United States also need to be 'Euro-ready' as Spain is one of the 12 countries participating in the Economic Monetary Union. From January 1, 1999 to January 1, 2002, the Euro will go through a transitory phase during which only financial transactions that do not require the physical use of bills and coins — mainly bank operations -- are done in Euros. Circulation of Euro bills and coins begin on January 1, 2002. Spain, and 11 EU counterparts (Germany, France, Italy, Ireland, Portugal, Greece, Holland, Belgium, Luxemburg, Austria and Finland), will have a period from January 1, 2002 to February 28, 2002, in which both their country's currency and the Euro will be allowed to be used simultaneously. On March 1, 2002, individual currencies will disappear and the Euro will become the official currency of these countries.

Additional information on the Euro can be found in the following web page:

<http://www.europa.eu.int/euro>. Depending on their size and the requirements of their customers and suppliers, U.S. firms are now required to start quoting prices in local currency and Euros until the implementation of the Euro as a single currency in 2002.

Currency: U.S. companies should be aware that, given that the Euro will be available as a physical currency in 2002, most consumer products should see a slow phase-in period, as retailers would also need to invest in either duplicate cash registers or modify their pre-existing cash register systems to include the new currency. Companies who engage in electronic commerce will equally need to look at modifying their websites to reflect doing business in the new currency.

#### Sales Service/Customer Support

Demand among Spanish consumers for sales and customer service is growing. All technical products and most consumer products have sales service/customer support. Regulations require that sales service be available for government procurement.

Customer support is not as developed as it is in the United States. Many shops have no return policies. Only large department stores and new retailers (usually foreign) have liberal return policies similar to those in the United States.

#### Selling to the Government

In Spain, all different levels of administration (Central Government, Autonomous Communities, Local Municipalities and companies that have over 50 percent government ownership) have to follow certain procurement practices encompassed in Law 13/1995, Contracts With Public Administration, decreed in November 19, 1995.

The Authorities that are allowed to contract or obligate funds on behalf of the Government are:

- \* Central Government: Ministers and State Secretaries
  - \* Autonomous Communities: Legal representatives as established by the local government (usually a member of the cabinet)
- \* Local Municipalities: The Mayor or any other formally designated official
- \* State-owned companies: The Chief Executive Officer.

Furthermore, any contract over 2 billion Pesetas (just over USD 12 million at current exchange rates) requires approval by the Council of Ministers (Executive Cabinet).

All potential suppliers to the Spanish Government (both foreign and domestic) need to register with the Ministry of Economy in the 'Registro Oficial de Contratistas.' Any company that can prove economic/financial as well as technical solvency is eligible to contract with the government. A company can demonstrate its economic/financial solvency by proving the security of financial risks, shares, business balances and cash flows, and by stating its global business obligations. Technical solvency can be established by means of academic titles, experience, description of work done in the past five years, and via machine, materials and technical equipment at the company's disposal for the completion of the work.

There are three different types of contractual proceedings: open, restricted and negotiated. In open proceedings, all opportunities are published and open to all interested companies. It is more difficult for foreign companies to participate in restricted proceedings. Between five and twenty companies are invited to present their documentation for evaluation and, upon completion of this process, qualified companies are invited to bid. Negotiated proceedings are even stricter. No less than three companies are invited to bid and invitations are presented based on known qualifications, so documentation is not necessary. In certain situations, urgent or emergency proceedings may be necessary and will follow different rules. Government agencies can also pre-qualify companies and invite them for a restricted procurement. Although this is a practice that governments often use for military and other sensitive procurement, it can also be applied in the environmental technology field.

All requests for proposals must be published in the 'Boletín Oficial del Estado' a publication similar to the Federal Register. Invitations to bid on government contracts are published at least 26 calendar days before the due date of bids. In addition, all contracts above USD 4.5 million are published at least 40 calendar days before the due date of bids in the European Community Bulletin.

The procedure to bid for a specific tender is relatively straightforward. All proposals are kept secret and must be accompanied by proper documentation. This information should include:

- 1) Accreditation of the legal representation used by the company.
- 2) Proof of economic, financial, technical or professional solvency and competence plus a declaration that the company is not prohibited from contracting.
- 3) Provisional guarantee must be accredited to prove it has been deposited.
- 4) For foreign companies, formal acceptance of the jurisdiction of the Spanish courts if necessary (Spanish legal representation is required).
- 5) Accreditation of having met all fiscal and social security obligations.

Foreign companies wishing to contract with the Spanish government need to validate all certifications with the Spanish Consulate. It is possible for foreign companies to be involved in the negotiated and restricted procedures if qualified. According to local law, all foreign firms must have a legal presence in Spain (formal agency agreement, distributor, branch office or subsidiary) before bidding on contracts. American companies also have to accept the jurisdiction of Spanish courts in legal issues that may

result from a contract with the Spanish Government. In case of dispute, the Spanish national and local governments will only recognize Spanish courts. Arbitration procedures are not accepted.

American companies interested in bidding for a contract with the public administration must contact Spain's Embassy in Washington, D.C., to document their compliance with the norms.

Embassy of Spain  
Commercial Service  
2558 Massachusetts Ave. N.W.  
Washington, DC 20008-2865  
tel: (202) 265-8600  
fax: (202) 265-9478

#### Protection against IPR Infringement

Spain is a signatory to the Paris Convention for the Protection of Industrial Property. The Spanish Patents Act of March 20, 1986, brought Spain into conformity with the European Patent Convention and the anticipated EU Patent Convention as a requirement for its entry into the EU. Both the Trademark Law of November 1988 (Law 32) and the Intellectual Property Law 1750/87 address protection for brand names and trademarks. Spain is also a party to the Madrid Agreement on Trademarks. These laws follow EU standards. The Intellectual Property Law of November 1987 offers copyright protection.

##### a) Patents

A non-renewable 20-year period for working patents is available if the patent is used within the first three years. Spain is revising its patent laws for chemicals, pharmaceutical, and biotechnology to conform with EU standards.

##### b) Industrial Designs

Known by their form or external characteristics, industrial designs are eligible for exclusive exploitation for renewable periods of 10 years. Although third parties may oppose registration on the basis of similarity to already registered models, registration is not forfeited because of non-use.

##### c) Trademarks

The Industrial Property Registry provides protection of trademarks for a 10-year period from the date of application. Trademarks must be registered for protection and may be renewed. Protection is not granted for generic names, geographic names, those that violate Spanish customs or other inappropriate trademarks.

##### d) Copyrights

The law extends copyright protection to all literary, artistic or scientific creations, including computer software. Spain and the United States are members of the Universal Copyright Convention. For protection, U.S. authors must register with this organization.

The Office for Harmonization in the Internal Market (OHIM) for the registration of community trademarks in the European Union started its operations in 1996. Its headquarters are located in in Alicante:

Oficina de Armonización del Mercado Interior  
(Office for Harmonization in the Internal Market)  
Avenida Aguilera, 20  
03080 Alicante  
Tel: (34/96) 513-9100  
Fax: (34/96) 513-9173

#### Need for a Local Attorney

Foreign companies and individuals are advised to acquire legal advice for any complex business transaction that they intend to do in Spain. A local attorney can help set up either a subsidiary or a branch, carry out business transactions, represent a company in government contracts or establish residency in Spain. Regulations are complex and legal help may be useful in many commercial activities.

#### Performing Due Diligence/Checking Bona Fides of Banks/Agents/Customers

CS Spain discontinued its International Company Profile service as adequate commercial information and financial reporting are available at a reasonable cost from the private sector. Local Chambers of Commerce usually provide this type of service. Dun & Bradstreet has offices in Spain located at Salvador de Madariaga, 1 2ª, 28027 Madrid, Tel: (34/91) 377-9100, Fax: (34/91) 377-9101. A complete list of credit reporting agencies may be obtained from CS Spain.

#### Best Prospects for Non-Agricultural Goods and Services

List of Best Prospects:

1. Pollution Control and Water Resources Equipment
2. Telecommunication Services
3. Franchising
4. Telecommunications Equipment
5. Tourism
6. Electric Power Systems
7. Medical Equipment
8. Computer and Peripherals
9. Aircraft and Parts
10. Automotive Parts and Accessories
11. Architectural/Construction/Engineering Services
12. E-Commerce
13. Organic Chemicals for the Pharmaceutical Industry
14. Industrial Controls
15. Paper and Paperboard
16. Computer Software

Detailed market research exists for many of the sections indicated below. For further information please see Chapter 12, Market Research.

**Rank of Sector: 1**

Name of Sector: Pollution Control and Water Resources Equipment and Services

ITA Industry Code: POL/WRE

Resources allocated during recent years confirm that Spain is increasing investment in this sector. The Spanish Government's estimated environmental budget for 2000 was USD 2.2 billion. The Spanish Ministry of Environment estimates that the environmental market in Spain has grown an average of 14 percent.

Specific plans and projects at the national, regional and local levels support Spain's environmental policy. The former Spanish Ministry of Industry (now under Science and Technology) provided the following data on the main Spanish national plans in the environmental sector:

- Estimated investment for the National Plan for Dangerous Waste (1995-2005): USD 1.4 billion (25 percent to be provided by the Ministry of Environment to regional governments through bilateral agreements).
- Estimated investment for completing the National Plan for Soil Remediation (1995-2005): USD 1 billion (50 percent to be provided by the Spanish Ministry of Environment to regional governments).
- Estimated investment for the National Plan for Wastewater Cleaning and Treatment (1995-2005): USD 14.4 billion (Environmental Ministry will provide 25 percent through the year 2005 to regional governments).

Demand for equipment, technology and services is high from both the government and the private sector. The Organization for Economic Cooperation and Development (OECD) estimates that Spanish environmental public and private investment needs to amount to USD 4.8 billion per year in order to attain the present EU environmental protection level by the year 2005.

Spain fully complies with all EU environmental directives issued since 1993. In addition to the central government, there are 17 Spanish autonomous or regional governments that issue environmental laws and regulations, which are mandatory for their territories. The regional governments incorporate laws issued by the central government as well as EU directives.

Through the Ministry of Environment, the government imposes fines on contaminating industries. These penalties force Spanish industries to look for environmentally safer technologies and pollution control equipment to treat emissions and industrial waste. As a result, increased opportunities exist for U.S. environmental companies over the next eight years.

The following types of treatment equipment offer best sales prospects for U.S. firms in the Spanish market: waste thermal treatment plants (incinerators, HS 8417.80); water filtering or purifying machinery and apparatus (HS 8421.21); and industrial waste treatment/recycling plants and equipment (HS 8479).



## TOTAL IMPORTS OF EQUIPMENT (USD MILLION)

HS Codes199920002001(Jan.-March)  
HS 842121506014

**HS 84178030209**

## IMPORTS FROM U.S. OF EQUIPMENT (USD MILLION)

HS Codes199920002001(Jan.-March)  
HS 8421217.6122.9

**HS 8417800.57.11.5**

U.S. was the second largest exporter to Spain of water purifying machinery and apparatus in 1999. In 2000, it became the largest exporter to Spain of that equipment as well as this year from January to March. The U.S. was the 4th largest waste incinerator exporter to Spain in 1999, after Italy, Germany and France. It has come up to be the second largest, after Italy in the year 2001 and from January to March 2001.

Since there is a large variety of pollution control and water resources equipment, parts and services, import duties from the U.S. cannot be determined unless the specific equipment is known. Duties are assessed on a case-by-case basis.

Data: (All figures in USD millions)

Pollution Control and Water Resources Equipment and Services	1999	2000	2001	% Growth 2000 - 2001
Total Market Size	13,190	13,330	14,653	9.92
Total Local Production	9,933	10,038	11,041	9.99
Total Exports	1,331	1,345	1,506	11.97
Total Imports	4,588	4,653	5,118	9.99
Imports From the U.S.	1,803	1,822	2,004	9.98
Percent Imports from the U.S.	39.3	39.1	38.6	--
Exchange Rate \$1	156	180.68	185	--

\*The above statistics are unofficial estimates.

### **Rank of Sector: 2**

Sector name: Telecommunications Services

ITA Industry Code: TES

The telecommunications services subsector generated approximately USD 22.3 billion in revenues in 2000, a 27 percent increase over the previous year. Mobile telephony experienced record increase with an approximate growth rate of 38 percent over 1999

representing a market penetration of 61.5 percent. Internet application sub-sectors, digital networks and associated technologies have also shown strong growth.

The market increase reflects the arrival of new operators and their significant investment in developing alternative networks to the former state-owned monopoly Telefonica. The sector is growing rapidly with services expected to increase at approximately 10-15 percent in 2001 due to the introduction of new technologies, increased use of Internet and e-commerce development.

With new entrants into the fixed telephony market, the former state owned monopoly Telefonica has had to face aggressive competition from new operators. In 1999, Retevision's market share reached approximately 13 percent. On December 1, 1998, a new operator, Lince, entered the market. Under the UNI2 trademark, Lince's projected investment is expected to be approximately USD 1.3 billion over the next ten years. By 2008, they expect to gain 7.5 percent of total market share. Despite massive publicity campaigns designed to appeal to subscribers, the real battle in the fixed telephony market is to attract and retain business accounts. More than thirty other operators are also competing in the fixed-line market.

The major cellular operator in Spain is Telefonica's GSM service Movistar with 13.4 million subscribers. A second operator, Airtel Movil (controlled by Vodafone), began operating in 1995 and currently has nearly 7.0 million subscribers. In January 1999, Retevision Moviles came on the scene. Under the Amena trademark, Retevision has reached 3.7 million clients. The three operators combined have 24.4 million users including approximately 300,000 subscribers of Telefonica's original analog ETACS service (Moviline). Recently, the Spanish Government has opened the way for resellers of GSM services in the market, and is preparing further legislation on this matter. Two factors are to be considered in the Spanish market; the high number of prepaid clients, more so in the case of Amena, and the importance of SMS messaging, which is expected to provide between 6-12 percent of revenues in 2001.

In March 2000, four UMTS licenses were granted. The larger range of services provided by these third generation cellular phones (email, wireless Internet, video, and videoconferencing) is expected to drive the demand for services upwards, but services will not start before the second semester of 2002. The GSM operators and Xfera will offer GPRS services in mid 2001. It is important to note that the Spanish Government is considering allowing the companies to share network infrastructures.

To date, cable operators have been hampered by complicated bureaucratic delays as well as the reluctance of many municipalities to grant permission to lay cable. The Government had established a two year moratorium for Telefonica before they could enter the market, but once the period ended, Telefonica announced that it is no longer interested in cable investments, and will only deploy ADSL technology.

In 2000, the Ministry of Science and Technology granted six licenses to provide access via LMDS radio technology, all of which are effective March 2001. American companies have had a strong participation in the tenders.

The two digital satellite TV platforms have benefited from the delay in cable roll-out: Telefonica's Via Digital and Canal Satellite Digital, both of which belong to the Spanish Sogecable Communications Group. Pay-per-view services continue to gain an

increasing acceptance in the market. Retevision also has a digital terrestrial television service, under the trademark Quiero TV.

The Internet market is booming but is reportedly on the verge of a major upheaval. While there are approximately 300 Internet Service Providers (ISP) in the market, with free access being offered by the leading operators, the number will be reduced substantially over the next few years. Industry experts agree that following the market boom, many small ISPs will be acquired by large groups already established in the market, especially now that telecom operators are offering free internet access. Voice applications over Internet are also becoming best prospects in Spain and many foreign companies are considering entering the Spanish market. Estimated figures on Internet users for 1999, 2000 and 2001 are 3.6 million, 5.75 million and 8.75 million users, respectively.

There are still issues pending to fully complete the liberalization process in Spain, but the Telecommunications Market Commission (the regulatory body) is taking clear steps in assuring free competition in the country, thereby ensuring the opening of the local loop, pre-selection and number portability between operators.

Data:	(All figures in USD millions)			
Telecommunication Services	1999	2000	2001	% Growth 2000 - 2001
Total Market Size	17,559	22,300	25,645	15
Exchange Rate \$1	156	180.68	185	--

\*The above statistics are unofficial estimates.

Given the nature of this sector, precise statistics on the U.S. share of the market are not available.

### **Rank of Sector: 3**

Name of Sector: Franchising

ITA Industry Code: FRA

As of January 2001, there were over 940 franchises in Spain with more than 40,000 outlets, which account for approximately 7.5 percent of total retail sales. Around 71 percent of franchises are Spanish, while American franchises account for 9 percent, French 9 percent, Italian 2.5 percent, and Holland 2.5 percent.

Franchising is most popular in the retail/specialty sector with 20 percent of total franchised retail outlets, followed by the distribution/self-service supermarkets with 15 percent, restaurant/food businesses with 13 percent and apparel/fashion with 10 percent.

For small, traditional retail stores, franchising provides a means to compete with larger stores. In large urban areas, small retailers have few traditional options. Previously, small entities had to specialize, associate with other retailers, or close. Franchising now provides them with a safe and promising new option.

Domestic statistics show that of every five new independent retail operations opened each year, three to four either change business, ownership, or close before their first anniversary. The same statistics show a different outlook for franchised outlets. For example, four out of five franchises remain open and are still working with the same brand and promoter after their first anniversary.

Since 1994, the number of master franchises has increased from 250 to 940, and the percentage of the total retail sales has grown from 3 percent to 7.5 percent. Changes in the economy have helped to fuel the demand for franchising because job displacement has created a large pool of trained professionals who are willing to invest their unemployment indemnity in the purchase of a retail franchise. Franchise outlets are also benefiting from increased consumer demand, which in turn is triggering a new surge in franchise business development. Although the U.S. maintains its lead position among foreign-owned establishments and sales are projected to increase, its overall market share will decline due to the ever-increasing number of local firms in the sector.

Data:	(All figures in USD millions)			
Franchising	1999	2000	2001	% Growth 2000 - 2001
Sales by foreign-owned establishments	1,930	2,743	2,940	7.18
Sales by locally-owned establishments	6,090	6,717	7,560	12.55
Foreign sales by local establishments	n.a.	n.a.	n.a.	--
Sales by U.S. establishments	1,000	1,365	1,455	6.59
Total Sales	8,120	9,460	10,500	10.99
Percent Sales by U.S. Firms	12.3	14.4	13.8	--
Exchange Rate \$1	156	180.68	185	--

#### **Rank of Sector: 4**

Sector name: Telecommunications Equipment  
ITA Industry Code: TEL

Telecommunications equipment from the U.S. ranks among the top 20 imports of Spain. American technology is highly regarded in Spain as the U.S. market is considered to be at the forefront of change and innovation. Spanish telecom operators entering the market today face a market similar to those in the U.S. after the enactment of the Telecommunications Act of 1996.

Many U.S. firms are established in Spain, some with their own manufacturing facilities, but all face strong competition from EU competitors, most notably France, Germany, Italy, the U.K. and Scandinavia. In addition, Japan and Korea maintain a significant market presence.

Wireless operators have large investments in network infrastructures. The three GSM operators with existing networks are currently modifying them to meet GPRS technology standards. In addition, operators are investing in the development of a completely new UMTS network. Given the present status of the sector, the Spanish Government will probably allow companies to share some network infrastructures, following the German example. Last year, USD 4.5 billion were invested in telecommunications infrastructure. This figure will grow significantly with the development of totally new infrastructures for 3G wireless technology.

The introduction of the UMTS technology is predicted to further increase the already rapid growth in the mobile market. There are currently around 26 million mobile telephones in use in Spain. By the end of 2001, it is estimated that there will be a 67 percent penetration rate of mobile phones in Spain, up from the 39.9 percent penetration rate in 1999.

Cable operators have been slow in making progress on network development due mainly to bureaucratic obstacles in granting licenses to lay cable. The prospects now appear to have improved as, given the difficulties, the Ministry of Science and Technology has allowed the companies to fulfill their broadband access compromises with the support of other technologies such as LMDS. One of the leading consortia, ONO, together with the AOC (Agrupacion de Operadores de Cable - Cable Operators) have plans to invest USD 6.4 billion within the next ten years. Since 1998, approximately USD 2.1 billion has been invested and 15,000 new jobs created. The decision to grant access via radio technology will also provide opportunities for LMDS base stations and receptors. The potential of the cable market is currently estimated at USD 1.9 billion annually.

Telefonica was also expected to invest in cable infrastructure but has shelved those plans and is instead focusing on developing the ADSL market, with 70 percent of the copper lines already adapted to carry that service. As 700,000 users are expected to sign up for this service in the next three years, opportunities will arise for related equipment manufacturers.

Within the next few years, diffusion technologies for television (satellite, terrestrial, and cable) will promote the conversion from analog to digital technology with the goal of maximizing bandwidth. Currently, there are three million homes wired for cable television, although there are only 500,000 subscribers. The diffusion of digital signals is already a reality through Via Digital, Canal Satellite and Quiero TV.

In terms of Spanish imports, U.S. telecommunications equipment exports to Spain rank second following the EU countries that represent 44 percent of the total market. Best prospects are for cable equipment (HS 8525\*\* to 8528\*\*) and wireless equipment (HS 8518\*\*, 8527\*\* and 8525\*\*).

All equipment must be CE marked and in some cases be certified in Spain if it is to be connected to the Public Switching Network or use the electromagnetic spectrum for transmission.

Data:

(All figures in USD millions)

Telecommunications	1999	2000	2001	% Growth
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Equipment	2000 – 2001			
Total Market Size	5,528	5,745	6,336	10.28
Total Local Production	2,805	2,592	3,284	26.69
Total Exports	1,235	1,120	982	-12.32
Total Imports	3,958	4,272	4,035	-5.54
Imports From the U.S.	989	1,103	1,345	21.94
Percent Imports from the U.S.	24.9	25.8	33.3	
Exchange Rate \$1	156	180.68	185	--

\* The above statistics are unofficial estimates.

### **Rank of Sector: 5**

Name of Sector: Travel and Tourism

ITA Industry Code: TRA

Although Spain is one of the world's top tourism destinations, outbound travel is a relatively new phenomenon among Spanish travelers. In addition to the growing desire of Spanish travelers to travel abroad, the general increase in the variety of outbound destinations promoted by Spanish tour operators and a decline in the real price for travel abroad, have also helped to increase Spanish outbound travel.

According to the World Tourism Organization (WTO), Spanish world-wide arrivals rose from approximately 6 million in 1986, to 12.6 million in 1995, 14 million in 1999 and 15 million in 2000. European destinations accounted for approximately 75 percent of all Spanish international arrivals as of 1999. However, the top long-haul destination for Spaniards in 1999 was the United States, with over 20 percent of this market. Revenues generated by Spanish visitors to the U.S. in 1999 were USD 1.4 billion, of which USD1.22 billion were travel receipts and \$289 million were passenger fare receipts. Overall performance of Spanish travel to the U.S. over the last decade has been very good, almost doubling in the last ten years, from 202,000 arrivals in 1989 growing to 361,177 in 2000. As with most European markets, Spanish arrivals show a slight decrease for 2000 (0.5%) due mainly to the exchange rate fluctuation. It is expected that this situation may continue throughout 2001. Market projections estimate that this figure will reach 400,000 by 2003. Travelers from Spain also represent the United States' 7th largest western European market in arrivals in 2000.

Spain's stable economy which continues to rank as one of the strongest in Europe with growth projected to continue in the 3 percent range for the next few years, will enable even more Spaniards to travel abroad in the coming years. With the projected economic stability and an increasing awareness and curiosity for the U.S. in general, particularly among the younger generations, Spain is a pristine market of opportunity for a wide-variety of U.S. destinations. The U.S. destinations with the best growth prospects in Spain are: Arizona/Nevada (the Grand Canyon and Las Vegas), California, Florida, Hawaii, Colorado, the U.S. Virgin Islands as well as Indian Reservations, National Parks, and Theme Parks.

When traveling abroad, Spaniards tend to use package tours (27 percent) or they book their travel through travel agencies (28 percent). Only an estimated 18 percent make their bookings directly. Industry surveys consider Spaniards prime customers, with

higher than average daily expenditures. According to the Travel Industry of America, Spaniards spend approx. USD 2,300 per trip.

Inbound tourism into Spain also offers many opportunities. Spain is the second most visited nation in the world, with approximately 48.5 million international visitors and 20 million national visitors in 2000. Total revenue generated by the Spanish travel industry in 2000 was approximately \$31 billion – representing 11 percent of Spain's GDP and six percent of the world's total earnings in tourism. The key objective for both the public and private sectors of tourism is diversification and to develop and upgrade tourism infrastructure to its maximum capacity. Another key objective for Spanish tourism authorities and professionals is quality. Spain needs to maintain and improve the quality of the services it offers to tourists if it wants to maintain its position as one of the most visited countries in the world.

<b>Travelers to and from Spain (millions)</b>	1999	2000	2001
Inbound	47	48.5	50
Outbound	14	15	16
Non-EU outbound travel	1.7	1.8	1.9
% U.S. long-haul travel	21	20.5	20
<b>Trends in Spanish Arrivals to U.S. (thousands)</b>	363	361	375

During 1999, six of Spain's airports ranked among the top 30 airports in Europe and handled over 130 million passenger arrival/departures. This represented an average annual growth rate of 14 percent – almost double the European Union annual growth rate of eight percent.

For U.S. firms interested in exporting services and expertise, opportunities exist in hotel facilities/complexes (design and development), leisure ports/marinas (design, development, and refurbishment services), seaports with cruise ship facilities (cruise ship services, other services related to user), conference/convention facilities (design and development), golf courses (design and development, maintenance services, equipment), theme parks (design and development, services related to user, equipment), as well as airport expansion projects (architectural/engineering companies able to offer design/development project/management/maintenance services).

Tourism Sector Data:

(All figures in USD millions)

<b>Spanish Tourism Sector Balance of Payments</b>	1999	2000	Jan-March 2000	Jan-March 2001
Receipts	32,595	30,988	5,612	6,367
Payments	5,559	5,490	1,068	1,308
Surplus	27,036*	25,498	4,544	5,059.
Exchange Rate \$1	156	180.68	180.68	185

\* Given the notable difference in the exchange rate from 1999 to 2000, please note that the figures in local currency reflect a 9 percent increase in surplus in 2000 over 1999 (Ptas 4,216,000 vs Ptas 4,607,000 million) .

**Rank of Sector: 6**

Name of Sector: Electric Power Systems

ITA Industry Code: ELP

The most significant accomplishment in the power generation sector in Spain has been the implementation of Law 54/1997, which paves the way for electric liberalization and implements European Commission Directive 92/96 for the internal electric market. It initiated the deregulation of Spain's power generation and distribution market. This new law established the freedom to build power generation facilities, created a competitive electricity market, and established a gradual time frame for the liberalization process, which began January 1, 1998. The process of de-regulation brought major changes to the electricity sector. Currently, only large consumers can shop around for electricity. Total liberalization of the energy sector is forecasted for the year 2005, meaning the liberalization of an estimated 21 million contracts. The consumer may have total control over which company to contract. Spain is ahead of the European directives. The European Commission only recently unveiled far-reaching and ambitious proposals to accelerate the liberalization of Europe's energy and gas markets.

Although there is a surplus of power generation capacity in Spain, most of it is derived from expensive fuel-oil power plants. Electric utilities and independent power producers plan to construct up to ten natural gas combined-cycle power plants from 1998 to 2003. Total investments are estimated to reach USD 2 billion. This investment will surely increase demand for equipment from the U.S.

Spain has about 46,000 Mw of installed capacity, while peak demand is only about 27,000 Mw. The sector is attracting a substantial amount of investment to modernize old plants and move to a new way of doing business.

The renewable energy sector in Spain is also facing significant growth opportunities in several markets. Renewable energy in Spain made up 6.3 percent of primary energy consumption in 2000. Renewable energy consumption comes largely from biomass and small hydroelectric power (up to 10 MW). However, wind energy is experiencing fast growth and is expected to have a significant impact on the overall energy consumption structure in the near future. Thermal solar energy is well established and can be considered a mature market. Photovoltaic solar energy is still a very young market facing tough technological challenges. Waste to energy poses significant opportunities despite strong public opinion opposition to incineration.

Electric utilities are the main promoters of renewable energy projects in Spain, since they possess the necessary resources and technology to develop them. Federal, regional and local governments are also very active in renewable energy development and offer incentives to attract investment, which they consider beneficial in economic, political, social, and environmental terms.



There are business opportunities for U.S. firms in the Spanish energy and other markets. By joining hands with Spanish energy groups, U.S. companies may find a gateway to the Latin American and North African markets. U.S. small and medium size companies, particularly equipment and service providers, should know that there are also opportunities in other sectors through doing business with Spanish energy companies. There are other sectors such as environmental technology with a close linkage to energy. Spanish utilities could also serve as partners to enter the IT market. Endesa, the largest Spanish and one of the largest European utilities, is also the second largest Spanish telecommunications operator. It is the main shareholder of Retevision, Spain's second largest telecom provider behind Telefonica.

Electrical installations in Spain operate on 50-hertz cycles, while power is supplied to 125V and 220V (single phase) and 125V, 220V and 380V (triple phase).

Electrical equipment mainly falls under HS code 8501 and has a tariff rate between 2.7 – 4.7 percent. There are no quotas or barriers on electrical equipment imported from the U.S.

Best sales prospects for the U.S. renewable energy industry, are:

8410: Hydraulic turbines

8501: Turbine generators with over 1,000 kWh of capacity

8501: Rotor blades for turbine generators

8501: Converters and batteries

8501: Photovoltaic/wind generator systems for isolated areas

8502: Diesel-wind turbine generators

8502: Geothermal generators

8541: Solar cells

Data:

(All figures in USD millions)

Electrical Power Systems	1999	2000	2001	% Growth 2000 – 2001
Total Market Size	2,278	2,301	2,821	22.59
Total Local Production	1,785	1,803	2,019	11.98
Total Exports	262	264	290	9.84
Total Imports	966	975	1,092	12.0
Imports From the U.S.	535	540	594	10.0
Percent Imports from the U.S.	55.4	55.4	54.4	--
Exchange Rate \$1	156	180.68	185	--

\*The above statistics are unofficial estimates.

Spain is projected to be the fastest growing major industrialized economy through 2002 but has very limited domestic energy resources. As a result, Spain is expected to become an increasingly important energy resources importer. As the market becomes increasingly competitive, joint ventures and partnerships will play an important role in capturing market share, injecting the necessary capital and technology to ensure the sector's dynamic growth continues.

**Rank of Sector: 7**

Name of Sector: Medical Equipment

ITA Industry Code: MED

The market for medical equipment depends heavily on imports, which represent approximately 85 percent of the total market. U.S. medical equipment is highly regarded by Spanish MD's and domestic importers/distributors. The U.S. is the main supplier to Spain with approximately 31 percent of total imports. Purchases of medical equipment are made predominantly by public health care sector institutions (85 percent). The private health care sector comprises the remaining 15 percent. Most public health care sector purchases are made by public hospital tenders. However, pre-selection among competing companies is a step made prior to the open bid. During this pre-selection period, the supplying companies present to the hospital the description of their products and their prices. After reviewing the proposals, the hospital authorizes the final selection and chooses a few companies that are considered to be most suitable. The final purchase decision is made from these selections. In the private sector, tenders are not used. Normally, private hospitals select a small number of suppliers from whom they make direct purchases. Because of these procedures, foreign and U.S. companies are encouraged to have either a Spanish distributor or their own branch in Spain.

Spain imports only new equipment. Refurbished medical equipment is allowed to be imported in Spain, but both the public and private medical providers in Spain want only new equipment. There is zero duty on medical devices. U.S. products that are competitive, new or innovative in the U.S. market have great chances of success in Spain. Spain is a free market economy whose business practices are similar to the U.S. and other EU countries.

A requirement for most tenders is that the medical devices have the CE Mark. This mark became compulsory in June 1998. This requirement means that many products that had been registered in previous years in Spain when the CE Mark was nonexistent now need to be re-registered following the new EU Directive. The registration can be done in any EU country, including Spain. The registration process has been reduced from 12-14 months to 6-8 months. A positive improvement has also been made in terms of payments by hospitals, which in the past had taken up to 18 months and which are now 4-6 months in most cases.

As a consequence of the development of the EU market and the implementation of the CE Mark, many U.S. companies have been centralizing their manufacturing and import operations into one single country from where they register and distribute their products to the rest of the EU. This practice disguises real U.S. imports to Spain, which are credited to the country from where distribution takes place. The market for medical products is expected to grow at an average of 10 percent over the next three years. The domestic industry is growing slowly and, as a result, cannot keep pace with growing demand. Consequently, domestic suppliers' share of the market is declining.

The data below includes the following H.S. Codes of the U.S.: 3822; 9001.30.00; 9018-9018.20.00; 9018.31.00-9018.39.00; 9018.50.00-9018.50.90; 9018.90.-9018.90.85; 9019.20.00; 9021-9021.19.90; 9021.30.10-9021-3090; 9021.50.00 & 9021.9090; and 9022-9022.90.95. It does not include any dental product or equipment.

Data:

(All figures in USD millions)\*\*\*

Medical Equipment	1999*	2000*	2001**	% Growth 2000 – 2001
Total Market Size	1,785	1,838	2,004	9.03
Total Local Production	560	638	676	5.95
Total Exports	362	400	424	6.0
Total Imports	1,587	1,600	1,745	9.06
Imports From the U.S.	379	423	464	9.69
Percent Imports from the U.S.	23.8	26.4	26.6	--
Exchange Rate \$1	156.33	180.68	185	--

\* Custom's Office Statistics

\*\* (The 2001 figures are based on unofficial estimates)

\*\*\* The Customs figures for 1999 and 2000 represent direct exports from the U.S. to Spain. If the estimated amounts shipped to Spain as final destination through other EU countries are also considered, the total imports from the U.S. in 2000 are estimated at USD 500 million, over 31 percent of total imports. The countries that are primarily used by U.S. companies, and to whom Customs statistics are improperly allocated are, by order of importance: Holland, U.K and France.

### **Rank of Sector: 8**

Name of Sector: Computers and Peripherals

ITA Industry Code: CPT

The total market for Information Technology in Spain represents 5 percent of the whole European market and 1.75 percent of the Spanish GDP. In this context, the specific market for computer hardware represents 54 percent of the whole IT market in Spain, with an increase for 2001 estimated from 10 to 15 percent. Of the total hardware market, PCs account for 39 percent of the market, servers represent 25 percent, printing systems represent another 15 percent, data transmission hardware 9 percent, office equipment 9 percent and workstations 3 percent.

Spain's computer sector is experiencing high increases in production, exports and imports. The sector is growing due to increasing use of computers and new peripherals for businesses and higher demand of home PCs (due to the use of Internet and new multimedia applications). Although official statistics indicate that 80 percent of IT products come from other European countries and only a low percentage comes from the U.S., most of the imported computer hardware is either sourced from the U.S. or manufactured in Europe by a U.S. subsidiary. The number of IT firms owned by Spanish nationals is approximately 30 percent, obviously larger for small and medium firms. Foreign investment comes primarily from the U.S. (30 percent of the total), Germany (15 percent), Japan (12 percent) and the U.K. (5 percent).

Although the leaders of the market in sales of PCs are HP (14 percent), Compaq (14 percent) and IBM (11 percent), 26 percent of the computers installed in Spain are still locally assembled clones. This percentage is decreasing as new PCs are branded ones and most of the Spaniards are updating their equipment in the last years.

Recent estimates indicate that there are 3.5 million PCs in use by businesses in Spain and 3.4 million for private use for a total of nearly 7 million units of PCs in Spain, with a PC in 23.2 percent of Spanish households. While 94 percent of this equipment has printers and 78 percent includes CD-ROM readers, only 49 percent have modems associated to the equipment. Only 7.9 percent of total households (34.2 percent of those with a PC) have Internet access.

Best opportunities are found in the business/industry segment, primarily in workstations and servers for small and medium size industries (HS 8471). The home sector is also expected to experience large growth thanks to the impressive development of the Internet and the market for CD-ROM readers for private use (HS 8471), modems (HS 8517), and multimedia PCs (HS 8471). There are also good opportunities in other segments such as laser printers, plotters, laptops and Palm-PCs (HS 8471).

As of January 1, 2000, under the Information Technology Agreement (to which the EU is a signatory), the EU tariff on computer equipment is zero.

Data:	(All figures in USD millions)			
Computers and Peripherals	1999	2000	2001	% Growth 2000 – 2001
Total Market Size	5,312	5,045	5,420	7.43
Total Local Production	3,168	3,009	3,233	7.44
Total Exports	1,084	1,029	1,106	7.48
Total Imports	3,228	3,066	3,293	7.40
Imports from the U.S.	679	645	692	7.28
Percent Imports from the U.S.	21.0	21.0	21.0	--
Exchange Rate \$1	156	180.68	185	--

\*The above statistics are based on unofficial estimates

### **Rank of Sector: 9**

Name of Sector: Aircraft and Parts

ITA Industry Code: AIR

Spain's aerospace sector is small but constantly growing. The EU "Open Skies" policy has introduced competition into the Spanish air transport market. The liberalization of Spain's internal air transport system has resulted in increased demand that creates opportunities for U.S. manufacturers and distributors. Currently U.S. companies are enjoying a tremendous increase in their exports for Flight Simulators and Parts, Propellers, Rotor Blades & Parts, which increased over 70 percent in the last year. Most of Spain's aerospace manufacturing is sold in Europe or exported to the United States. There is an increasing demand specially for products related to composites materials: contour tape laying heads for composite tape laying machines, fiber placement systems with computer numerical control, etc. U.S. products and services are considered second to none in terms of price and quality, thus U.S. exporters have an extremely good chance of doing business in Spain. Boeing's recent (May 2001) decision to open a research and development center in Madrid and Barcelona is a good sign of Spain's importance in the aerospace sector.

Spain's aerospace sector, primarily located in Andalusia, Madrid, and Basque Country, is benefiting greatly from its recent internationalization and offers many opportunities for foreign companies. Spain has a highly competitive aerospace sector. The largest of these companies is CASA. (CASA has a minority participation in the European consortium Airbus).

The Spanish aerospace market is constantly growing and showing more and more potential due to the open market situation and great demand for new technology. For example, ITP's (Industria de Turbo Propulsores S.A.) sales increased by 22 percent (2000), compared to the previous year. Iberia projects it will grow approximately 10 percent this year. Air traffic in general has also grown significantly. Madrid's Barajas Airport has constructed an additional terminal due to the 11 percent increase of passengers, planes and cargo.

The privatization of IBERIA, the merger of AVIACO and BINTER into the same airline group, and the purchase of new airplanes by Spanair, Air Europa and Air Nostrum are bringing new opportunities for U.S. businesses. There are more companies requesting airline licenses from the civil aviation authorities than ever before. This has resulted in an increase in the total number of airplanes operating in Spain and a steady reactivation of the spare parts market. This trend is expected to continue as the underdeveloped regional markets grow.

Spain has a very strong aeronautical sector. But now it is also part of the nucleus of the European aeronautical sector although marginally behind the three largest ones (Germany, France and United Kingdom). The Spanish aeronautical weight in Europe is calculated between 6 and 13 percent.

The biggest demand for aeronautical products are: component manufacturers, aeronautical software programming, avionics equipment, testing systems, equipment for ground support, extruded metal companies and plastic fabricators.

An important factor in the market is that the Spanish industry grows at the same rate as the European. Next to CASA-EADS, there are another two dominant companies in Spain; Gamesa, manufacturer of structural parts of airplanes, and ITP (Industria de Turbo Propulsores, S.A.), manufacturer of airplane motors.

Recently, the great challenge that the Spanish aeronautical sector is experiencing is the Airbus project, A-380, the European superJumbo. Airbus has already received the 50 first orders of this project, which will be released onto the market in 2006. The first test flights will be made in 2004, and the Jumbo's capacity will be that of approximately 600 people. Airbus now has 46 percent of the worldwide market.

Currently, local Spanish manufacturing suppliers are unable to meet the demands of production levels. These companies are forced to look to the international market for help. As a result, many Spanish sub-contractors are beginning to explore the possibility of international agreements to meet the increased demand, offering excellent export opportunities for U.S. companies.

To decrease operating costs, several airlines are considering operational leasing from U.S. companies. This service market is expected to increase dramatically in the short

term. U.S. aircraft manufacturers face competition from domestic companies (small aircraft) and from Airbus, the European consortium.

Data:	(All figures in USD millions)			
Aircraft and Parts	1999	2000	2001*	% Growth 2000 - 2001
Total Market Size (Annual Sales)	2,585	2,485	2,670	7.44
Total Local Production	2,068	1,988	2,136	7.44
Total Exports	1,370	1,314	1,415	7.68
Total Imports	3,097	2,977	3,198	7.42
Imports From the U.S.	1,253	1,204	1,294	7.47
Percent Imports from the U.S.	40.4	40.4	40.4	--
Exchange rate \$1	156	180.68	185	--

\*The above statistics are unofficial estimates.

Source: ATECMA: Agrupacion Tecnica Espanola de Constructores de Material Aeroespacial. (Spanish Technical Association of Aerospace Equipment Builders)

### **Rank of Sector: 10**

Name of Sector: Automotive Parts and Accessories

ITA Industry Code: APS

Spain currently ranks as the third largest automobile manufacturer in the EU with over 3 million units, having surpassed the U.K., yet following France and Germany. In 2000, industry reports indicated that Spain finished the year as the fifth largest automobile manufacturer in the world, surpassing Korea. Only the United States, Japan, Germany and France produced more automobiles than Spain in 2000.

In 2000, Spain produced over 3 million vehicles, exported 1.7 million automobiles and saw 1.7 new registrations. It was a record-breaking year that surpassed the historical market figures reached a decade earlier in 1989. As one of the world's major automobile suppliers, it exports eight out of ten automobiles it manufacturers (to Europe and other parts of the world). In 2000, over five percent of all automobiles manufactured in the world came from Spain.

As a result of its direct relation to the local automobile manufacturing industry and the increasing growth in sales within its local automobile market, the automotive parts and accessories sub-sector has experienced important changes and become one of the strongest and most dynamic sectors in the Spanish economy.

Four key factors will lead to strong demand for automobiles and automobile parts and accessories in the future:

1) The ratio of automobiles to drivers in Spain, which is lower than the EU average. The average number of automobiles for every 1,000 people in the European Union is 400. Spain only has 308 automobiles for every 1,000 people. This ratio is expected to increase until it nears the EU average.

- 2) The large quantity of old automobiles in circulation, which will require replacement parts. At present, Spain has over 15 million automobiles in circulation, more than 60 percent of which are over five years old. On average, Spaniards renew their automobiles every eight to ten years.
- 3) The "Prever Plan", launched in April 1997, is a government-sponsored program that gives automobile buyers who turn in their old automobile a USD 533 sales tax rebate on the purchase of a new automobile. It is expected that this plan will lead to a medium and long-term increase in the number of automobiles in circulation and in the demand and sale of auto parts and accessories. It has been estimated that approximately 550,000 new automobiles have come into circulation as a result of the "Prever Plan" during the 1997-2000 period.
- 4) Lastly, Spain has become increasingly receptive to new distribution channels as opposed to traditional distribution channels. New distribution channels include auto repair service franchises, specialized service auto shops, hypermarkets, etc. The introduction of new types of outlets is causing the market to go through many changes, thereby creating new opportunities for automobile parts and accessories manufacturers, as well as opportunities for new products to enter the market.

There are two additional factors that will contribute to growth and new opportunities in this market. First, the automobile manufacturing and/or assembly facilities in Spain will bring in original automotive parts and equipment to assemble new vehicles. Most major world automobile manufacturers are established in the country including Ford and General Motors. Second, the slow but growing tendency of Spanish end-users to conduct regular repair and maintenance services to their automobiles. Although both local and foreign competition is strong, U.S. made products are held in high regard due to their high quality and durability. Germany, France and Italy are the major competitors.

Data: (All figures in USD millions)

Automotive Parts and Accessories	1999	2000	2001*	% Growth 2000 - 2001
Total Market Size	2,734	3,272	3,263	-0.30
Total Local Production	2,320	2,777	2,772	-0.18
Total Exports	1,185	1,418	1,414	-0.28
Total Imports	1,599	1,914	1,910	-0.20
Imports From the U.S.	191	237	227	-4.21
Percent Imports from the U.S.	11.9	12.38	11.9	--
Exchange Rate \$1	156	180.68	185	--

\* The above statistics are unofficial estimates.

#### **Rank of Sector: 11**

Name of Sector: Architectural/Construction/Engineering Services

ITA Industry Code: ACE

In 1993 the Government of Spain, through its Ministry of Development, presented the Infrastructure Master Plan 1993-2007, the main objective of which is to prepare Spain's transportation infrastructure network for the 21st century. The plan highlighted the major

projects needed to modernize the country's transportation infrastructure and place it at the same level as that of its European counterparts.

At present, the Ministry of Development continues to work on the expansion and modernization of Spain's transportation infrastructure. A new and revised Infrastructure Master Plan has recently been presented highlighting the major infrastructure projects that are expected to take place in the 2000-2007 period.

The new Infrastructure Master Plan places emphasis on airport, highway, railroad and port infrastructure projects, although the estimated budget also includes major projects in the telecommunications, environment and energy sectors. The Government of Spain has estimated that a total of USD 57 billion will be needed for the transportation infrastructure projects to be completed in the next seven-year period.

The Infrastructure Master Plan 2000-2007 presents important opportunities for U.S. architectural/engineering services firms. New and innovative techniques offered by U.S. firms are held in high esteem, but face strong competition from both domestic (Spanish engineering firms are large and internationally experienced) and foreign (mainly French and German) counterparts. It is advisable that U.S. firms enter this market sector in association with a well-established local firm.

Data:

(All figures in USD millions)

Architectural / Construction / Engineering Services	1999	2000	2001*	% Growth 2000 – 2001
Total Market Size	1,298	1,482	1,471	-0.74
Total Local Production	890	1,016	1,009	-0.68
Total Exports	279	318	316	-0.62
Sales by Foreign Owned Companies	687	784	779	-0.63
Sales by U.S. Owned Firms	254	290	288	-0.68
Percent Sales by U.S. Owned Firms	36.9	36.9	36.9	--
Exchange Rate \$1	156	180.68	185	--

\* The above statistics are unofficial estimates.

### **Rank of Sector: 12**

Name of Sector: E-Commerce

ITA Industry Code: TES

During 2000, the e-commerce sector made good progress in Spain. According to the Spanish E-Commerce Association (AECE), B2C generated USD 204.8 million in 2000, an increase of 284 percent over 1999 figures. A similar increase is expected for 2001 with current estimates now at USD 460 million.

It is estimated that approximately seven million users have access to Internet, about 20.3 percent of the population. Of this number, only 12.5 percent make purchases online. An interesting fact, however, is that a high percentage of those online customers order 65 percent of their purchases from foreign (non-Spanish) web pages. On average,



Spaniards make two to three online purchases a year, spending approximately a total of USD 200.

Industry sources estimate that the figure for B2B for 2000 was in the USD 288 million range. The sectors that use e-commerce most frequently are services (21.1 percent), wholesale (15.7 percent) and the financial and insurance sectors (14.9 percent).

On average, over 24 percent of Spanish firms are now present on Internet (around 204,000 companies) and it is expected that 50 percent will have web sites by 2003. Most companies currently consider Internet as a vehicle to generate greater awareness of their brand name, products and services, while sales rank fifth on the list of their priorities. Most of the leading stores are now online, and utilities are sponsoring the most important B2B marketplaces.

Internet banking schemes will be adopted by many small and medium banks and savings institutions in the country, with significant investments in technology involved. For those projects that initially were based only on Internet, the trend is to lean towards the brick-and-click model.

Despite reservations arising from different traditional purchasing habits and concerns about security on the Internet, internet usage is expected to maintain a strong growth, both on the domestic and the business side, over the coming years. This is not due solely to the arrival of e-commerce, but also because of a continuing economic and social evolution that the country is experiencing.

The Spanish Government, in order to promote the new Information Society, has launched a program called INFO XXI; a USD 4.8 billion action plan focusing on different Internet related initiatives, from e-government to providing access from schools and rural areas to the Internet society. This multi-year program will offer various opportunities for American companies.

Finally, those American companies interested in the sector must be aware of the stringent Data Protection requirements of Spanish legislation.

Data:	(All figures in USD millions)			
E-Commerce	1999	2000	2001*	% Growth 2000 - 2001
B2C	72	205	460	124
Exchange rate \$1	156	180.68	185	--

Precise statistics on U.S. market share are unavailable due to the widely varying numbers associated with this new market. For a complete description of E-Commerce and Internet activities in Spain, consult the market research reports (IMI, ISA, etc.) generated by the CS Spain offices. These reports can be obtained from Export Assistance Centers throughout the U.S. or accessed through the National Trade Data Bank (NTDB) available through 19 federal depository libraries.

**Rank of Sector: 13**

Name of Sector: Organic Chemicals for the Pharmaceutical Industry

ITA Industry Code: IOC

The pharma-chemicals industry continues to be the chemical sub sector enjoying major market expansion within the Spanish chemical industry. Market demand in 1999 enjoyed a market growth of 8.7 percent, far above the average growth of 4.9 percent increase achieved by the chemical sector as a whole. Market trends for pharma chemicals have not changed significantly in the last two years. The presence in international markets of new, high value, specialties results in increased imports of specialties to the detriment of those of fine chemicals. Whereas market demand for pharmaceutical specialties grew 9.8 percent in 1999, that for fine chemicals increased 3.4 percent.

Domestic production supplies approximately 56 percent of the market for organic chemicals for the pharmaceutical industry. Imports of fine chemicals in the year 2000 are reported to have grown 20 percent over 1999. Antibiotics and blood plasma are the two main imports, accounting for 22 and 46 percent of total imports respectively in the year 2000. Imports of provitamins/vitamins and derivatives, represent another 10 percent of total imports. Spain is particularly deficient in human blood plasma, and imports of antisera and blood fractions are expected to continue growing.

The leading foreign supplier is the European Union, whose members hold over 50 percent (51 percent in 2000) share of the import market. In the year 2000, major country suppliers were France (14.5 percent import market share), Switzerland (13.1 percent) and Germany (13 percent).

The U.S. share of the import market in 2000 was 18.5 percent, 1.5 percent above the previous year. In 2000, U.S. imports comprised about 3.3 percent of all imports of antibiotics (HS2941) and 36.3 percent of all imports of blood plasma and components (HS3002). U.S. exports to Spain of blood plasma and components represent the bulk (about 90 percent) of all U.S. exports of fine chemicals to this market. Imports from the U.S. of blood components and fractions under HS3002 are expected to grow an average of 10 percent (in peseta value) per year over the next two years.

Data:

(All figures in USD millions)

Organic Chemicals for the Pharmaceutical Industry	1999	2000	2001*	% Growth 2000-2001
Total Market Size	1,690	1,551*	1,599	3.09
Total Local Production	1,513	1,367*	1,375	0.58
Total Exports	556	575	629	9.39
Total Imports	733	759	853	12.38
Imports from the U.S.	123	140	151	7.85
Percent Imports from the U.S.	16.8	18.4	17.7	--
Exchange Rate \$1	156	180.68	185	--

\* The above statistics are unofficial estimates.

**Rank of Sector: 14**

Name of Sector: Industrial Controls

ITA Industry Code: PCI

The industrial controls sector is expected to grow due to increasing use of automation by Spanish industry and to an improvement of the current industrial installations (Spain's automation level is still under the optimal level of industrial automation: 75 percent out of an optimal level of 80 percent). Demand for industrial controls comes from all industrial sectors, especially from the electrical, chemical and the machine-tool sectors. Other areas of activity with good prospects for industrial controls are the automotive industry, food processing, utilities, pharmaceutical and pollution control.

The Spanish market for industrial controls offers excellent opportunities for U.S. firms in specialized and state-of-the-art equipment and services. Best prospects are in the areas of process controls and monitoring equipment (HS 9032 and HS 9026), remote control and measurement (HS 9032 and HS 9026) and machine tool control equipment (HS 9024 and HS 9031).

Approximately 75 percent of the market is served by local industry, while the main foreign suppliers are the U.S. (around 20 percent of total imports), and the EU countries, primarily Germany. Most of the local firms in the sector are small to medium firms while international firms normally have larger facilities (the U.S. leads the ranking of foreign investors in the sector). Most of the imports are of automation components, parts and equipment.

Import duties for automatic instruments and apparatus is 2.8 percent if imported from the U.S. and other non-preferential countries (HS 9032). Similar import duties apply for most industrial related equipment, such as industrial instrumentation (4.2 percent, HS 9030), or meters (2.1 percent, HS 9028), but duties should be checked on a case-by-case basis.

Data	(All figures in USD millions)			
Industrial Controls	1999	2000	2001	% Growth 2000 – 2001
Total Market Size	1,564	1,458	1,538	5.48
Total Local Production	1,263	1,175	1,236	5.19
Total Exports	328	303	317	4.62
Total Imports	629	587	619	5.45
Imports from the U.S.	132	129	136	5.42
Percent Imports from the U.S.	20.9	21.9	21.9	--
Exchange Rate \$1	156	180.68	185	--

\*The above statistics are based on unofficial estimates.

**Rank of Sector: 15**

Name of Sector: Paper and Paperboard

Three-letter ITA industry sector code: PAP

The paper industry is an important subsector within the overall Spanish chemical industry, one of the major sectors in Spain's economy. Paper production represents seven percent of the Spanish chemical industry. Spain is the fifth largest European market for paper and paperboard with a total estimated demand of 6.4 million tons and growth rate of 4 percent. It is also the seventh largest European paper producer with more than 4.4 million tons of paper manufactured in 2000.

The average expenditure per person of paper and paperboard in Spain reached 161 kilos in 2000. This is more than three times the average world paper consumption per capita (estimated at 50 kgs. per person). The growth potential is still considerable, however, as 161 kgs. is far from the EU average of 196 kgs. per person.

The Spanish paper industry is the EU leader in the use of waste paper as raw material. Approximately 80 percent of fiber pulp used by Spanish paper mills comes from waste paper. In 2000, the Spanish pulp and paper industry used 3.6 million tons of waste paper and 5.2 million cubic meters of waste wood. The amount of waste paper and waste wood collected in Spain is not sufficient to meet this demand and approximately 25 percent of these materials are imported.

Imports of paper and paperboard account for approximately 51 percent of the market. Spain imported 3.3 million tons of paper (valued at approx. USD 2.5 billion) in 2000. Finland is the main supplier as Finnish paper prices are extremely competitive and the quality of their products very high. Imports from the U.S. increased nearly 4 percent in dollar value between 1999 and 2000 (from USD 179 million to USD 186 million). Other major foreign suppliers are Germany, France and Sweden.

Best prospects are for Kraft liner (HS 4804), which averages 84 percent of U.S. exports of paper and paperboard to Spain and represent 44 percent of Spain's consumption of that kind of paper and sanitary paper (HS 4818) which showed a 12 percent increase in consumption rate in 2000. Duties levied on paper range from 1.5 to 8.2 percent.

Data:

(All figures in USD millions)

Paper and Paperboard	1999	2000	2001*	% Growth 2000 – 2001
Total Market Size	4,934	4,731	4,805	1.56
Total Local Production	3,402	3,293	3,312	0.57
Total Exports	1,064	1,245	1,240	-0.40
Total Imports	2,481	2,549	2,589	1.56
Imports from the U.S.	179	186	184	-1.07
Percent Imports from the U.S.	7.2	7.3	7.1	--
Exchange Rate \$1	156	180.68	185	--

\*The above statistics are unofficial estimates

#### **Rank of Sector: 16**

Name of Sector: Computer Software

ITA Industry Code: CSF

The total market for Information Technology (IT), which includes hardware, software and services, represents 5 percent of the whole European market and 1.75 percent of the Spanish GDP. In this context, the specific market for computer software represents 14 percent of the total Spanish IT market, with a 17 percent increase in 2000 over 1999. From total software, systems software represent 67 percent of the market and application software the remaining 31 percent. The total software market is expected to increase by 13 percent in 2001 over 2000, while systems software will increase 12.7 and application software 13.3 percent. The market for IT services is expected to increase more than 15 percent in 2001, mainly thanks to consulting services (30 percent increase) and operations management (16 percent in 2001 over 2000).

Imports in the Information Technology sector are mainly concentrated in hardware. Imported software represents 46 percent of total sales in the software market. Computer software represents a small proportion of foreign trade figures in the sector (only 14 percent of imports and 17 percent of exports). Although 80 percent of IT products and services come from other European countries and only 7 percent from the U.S., the majority of the imported computer software either comes from the U.S. or from an European country through a U.S. subsidiary.

The number of IT firms owned by Spanish nationals is approximately 30 percent, obviously larger for small and medium firms. Foreign investment comes primarily from the U.S. (30 percent of the total), Germany (15 percent), Japan (12 percent) and the U.K. (5 percent). Regarding exports, 73 percent of them go to other countries in the European Union and 22 percent to Latin America.

Spain has a relatively high level of software piracy. Industry estimates for 2000 show a drop to 53 percent from 88 percent in 1993. This percentage is 19 points over the European average (34 percent), and is estimated at USD 226 million. Recent estimates show that a reduction of the piracy index to 27 percent would create 44,000 new jobs in Spain.

Best opportunities are found in the business/industry segment, primarily in software business applications, database software and sectorial packages. In the household market, there is also good potential for software applications associated with the massive use of Internet and multimedia PCs.

As of January 1, 2000, under the Information Technology Agreement (to which the EU is a signatory), the EU tariff on computer equipment and software is zero (HS code used is HS 85.24).

Data: (All figures in USD millions)

Computer Software	1999	2000	2001	% Growth 2000 – 2001
Total Market Size	1,404	1,394	1,524	9.32
Total Local Production	1,037	1,030	1,127	9.41
Total Exports	285	283	309	9.18
Total Imports	651	647	707	9.27
Imports from the U.S.	59	58	71	22.41
Percent Imports from the	9.0	8.9	10.0	--

U.S.				
Exchange Rate \$1	156	180.68	185	--

\*The above statistics are based on unofficial estimates

### **Best Prospects for Agricultural Products**

Forestry Products

Wheat

Soybeans

Fisheries Products

Consumer Oriented Products

### **Name of Sector: Forestry Products—Softwood Lumber**

Interior design (joinery in particular) millwork doors, windows and balconies are traditionally made from U.S. softwoods; therefore, demand for U.S. softwoods is closely linked to new housing construction and old home remodeling activities. Housing activity is booming with over 500,000 dwelling starts record levels during the past two years. Prospects are slower for 2001 year, with 450,000 dwelling starts at the most.

Despite the upswing of the value of the dollar, the Spanish market for U.S. softwoods increased notably in 2000 - - by 15 percent to USD 78 million. Spain continues to be one of the leading markets for U.S. softwood lumber. Demand is concentrated in one species, southern yellow pine. Major competitors include Sweden, Portugal and France. There are no major barriers to importing lumber.

Data:	(1000 Cubic Meters)			
Forestry Products – Softwood Lumber	1999	2000	2001	% Growth 2000 – 2001
Total Market Size	4,051	4,381	4,350	-0.70
Total Local Production	2,500	2,500	2,500	0
Total Exports	40	53	50	-6.0
Total Imports	1,591	1,934	1,900	-1.75
Imports from the U.S.	153	174	170	-2.29
Percent Imports from the U.S.	9.6	9.0	8.9	--
Exchange Rate \$1	156	181	190	--

\*The above rates are based on unofficial estimates

### **Name of Sector: Forestry Products—Temperate Hardwood Lumber**

The demand for U.S. hardwoods is closely linked to new housing and remodeling activity since they are utilized in interior applications, especially in flooring and doors. Demand is also linked to furniture manufacturing, which in turn is linked to new housing activity and export demand. Other major uses include the production of wine barrels with oak staves, an industry which is flourishing.

Despite the upswing of the value of the dollar, U.S. hardwood lumber imports into Spain continued to grow in 2000. Demand is still concentrated in one species, white oak. For 2001, prospects are for lower U.S. hardwood lumber imports due mainly to current importers' high stocks coupled with lower expectations for future housing activity.

Competition comes from European beech and oak as well as from tropical hardwoods. U.S. price gaps make European beech very competitive in furniture applications. Eastern European countries are increasingly exporting hardwood lumber, beech and oak in particular, to Spain.

Data:	(1000 cubic meters)			
Forestry Products – Temperate Hardwood Lumber	1999	2000	2001	% Growth 2000 - 2001
Total Market Size	1,067	1,137	1,110	-2.37
Total Local Production	630	630	630	0
Total Exports	15	23	20	130.4
Total Imports	452	530	500	-5.66
Imports from the U.S.	189	204	190	-6.86
Percent Imports from the U.S.	41.8	38.4	38.0	--
Exchange Rate \$1	149	181	190	--

\*The above rates are based on unofficial estimates

### **Name of Sector: Wheat**

Boosted by a rapidly diversifying market for bakery products, Spain needs to import hard wheat to blend with its softer local supplies. This presents opportunities for exporters of U.S. Hard Red Spring. If the quality of Spanish durum is poor, there could be also interest in U.S. durum. Spain is expected to continue to import around 250,000 tons of U.S. wheat in the future. The U.S. currently has nearly half the high quality wheat market, while Canada is the other major supplier.

Data:	(1000 Metric Tons)			
Wheat	1999	2000	2001	% Growth 2000 – 2001
Total Market Size	7,606	8,050	7500	-6.83
Total Local Production	4,900	7,000	5100	-27.14
Total Exports	297	700	600	-14.28
Total Imports	3003	1,750	3000	71.42
Imports from the U.S.	251	225	250	11.11
Percent Imports from the U.S.	8.3	12.8	8.3	--
Exchange Rate \$1	156	181	190	--

\*The above rates are based on unofficial estimates

**Name of Sector: Soybeans**

The Spanish soybean market this year is expected to grow moderately. Larger production of swine and poultry and a reduced 2001 grain crop are factors boosting the demand for soybeans this year. In addition, the EU ban on the use of meat and bone meal in feeds induced by the BSE crisis will create an additional demand for soybean meal of about 300,000 metric tons. These factors will more than offset good pasture conditions and cheap grain prices during the first part of the year as well as expected lower beef production.

The BSE crisis is also contributing to alleviate the burden of disposing soybean oil surpluses generated by the soybean crushing industry. Since utilization of animal fats is now more restrictive, more soybean oil will be used as a substitute.

Imports of South American meal seem to have recently leveled off. EU proposed requirements on the labeling and traceability of GMO products used in food and feeds are, however, factors of concern.

Soybeans are one of the most important U.S. exports to Spain. The main competitors are Argentina and Brazil.

Data:	(1000 Metric Tons)			
Soybeans	1999	2000	2001	% Growth 2000 – 2001
Total Market Size	2,900	2,800	2,850	1.78
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports	2,900	2,800	2,850	1.78
Imports from the U.S.	1,100	1,250	1,500	20.0
Percent Imports from the U.S.	37.9	44.6	52.6	--
Exchange Rate \$1	156	181	190	--

\*The above rates are based on unofficial estimates

**Name of Sector: Marine Fisheries (Hake - Lobster - Wild Salmon - Squid - Surimi)**

Spain is one of the world's largest seafood consumers, with a per capita consumption of approximately 40 kg. While consumption may decrease slightly in the future, Spain will continue to be a leading seafood importer. With current imports of nearly USD 2 billion per year, this market holds vast potential for U.S. exporters. Furthermore, because Spain's allowable catches will decrease in the future, seafood imports are projected to grow 6 percent annually through 2003. In 2000, the U.S. exported a new record USD 63 million of seafood products to Spain. The principal competitors are other EU member states, Argentina, Africa, Central and South America, and other European countries. No major import barriers exist for seafood products.

Data: (1,000 Metric Tons)



Marine Fisheries Products	1999	2000	2001	% Growth 2000 – 2001
Total Market Size	1,572	1,664	1,630	-2.04
Total Local Production	1,164	1,150	1,050	-8.69
Total Exports	737	667	620	-7.04
Total Imports	1,145	1,181	1,200	1.60
Imports from the U.S.	33	26	30	15.38
Percent Imports from the U.S.	2.8	2.2	2.5	--
Exchange Rate \$1	156	181	190	--

\*The above rates are based on unofficial estimates

### **Name of Sector: Consumer-Oriented Food Products**

A thriving tourism industry combined with overall economic growth has resulted in a significant increase in the demand for high-value and consumer-ready products. These trends have also contributed to growth in the hotel, restaurant, and institution sectors, which are increasingly purchasing value-added consumer food products. Domestic production and supplies from Northern Europe are the primary competitors in this market. In 2000, the strength of the dollar hampered U.S. sales in this category, but the future remains bright for many products, including snack items, sunflower seeds, peanuts and walnuts. Major barriers to trade include labeling laws and the high cost of transporting and handling some of the products.

Data: Value of U.S. Sales

Value of U.S. Sales	1999	2000	2001*
Consumer-oriented totals	138,500	131,376	-
Snack foods (excl. nuts)	3,053	3,532	-
Breakfast cereals and pancake mix	263	46	-
Red meats (fresh/chilled/frozen)	2,586	1,758	-
Red meats (prepared/preserved)	150	165	-
Poultry meat	85	549	-
Dairy products	355	318	-
Eggs and products	172	176	-
Fresh fruit	1,444	388	-
Fresh vegetables	3,820	3,449	-
Processed fruit and vegetables	7,041	8,042	-
Fruit and vegetable juices	247	505	-
Tree nuts	105,872	103,102	-
Wine and beer	1,195	607	-
Nursery products and cut flowers	1,482	1,320	-
Pet foods (dog and cat)	7,241	4,347	-
Other consumer-oriented products	3,495	3,041	-
Exchange rate \$1	156	181	-

Source: United States Census Data

\*Figures for 2001 not available

## Trade Barriers, Tariffs and Non-Tariff Barriers

Spain has not charged tariffs to the EU countries since January 1, 1993, while third-country goods, including those from the United States and Japan, are charged the EU's Common External Tariff. Since 1988, Spain has used the Harmonized System of tariff nomenclature for applying duties. U.S. goods are taxed according to the standard EU duty rate.

Spain has adhered to the GATT code since 1963. In December 1994, Spain ratified adherence to the Marrakesh accord, which concluded the Uruguay Round of international trade negotiations and established the World Trade Organization.

For agricultural products, import documentation and tariffs are exactly the same as for other EU countries. While some agricultural commodities are duty free or subject to minimal duties, such as soybeans, sunflower seed, corn by-product and lumber, the great majority of agricultural products covered by the EU's Common Agricultural Policy (CAP) and food products are subject to high duties or variable import levies which significantly restrict access to the Spanish market.

During the Uruguay Round negotiations in 1993, the EU committed to continue the compensation it had been providing to the United States since 1987 for Spain's accession to the EU. The EU had owed the United States compensation due to Spain's breach of its GATT tariff on imports of corn and sorghum when Spain joined the CAP. The compensation came in the form of minimum import commitments for corn and sorghum, as well as tariff reductions on about 25 other products.

In May 1999, the Spanish Parliament adopted legislation that incorporated the EU Television without Frontiers Directive and revised the 1994 Spanish law on television broadcasting. The 1999 law explicitly requires television operators to reserve 51 percent of their annual broadcast time for European audiovisual works. It also created an "investment quota," obliging television operators to devote 5 percent of their annual earnings to finance European feature length films and films for European television. This investment quota was further defined in new July 2001 legislation – 60 percent of the investment quota must be spent on audiovisual works in one of Spain's official languages.

Legislation affecting cinema productions include January 2000 legislation setting film screen quotas. Spanish movie theaters were required to show at a minimum one day of European films for every three days of films from third countries. In July 2001, the Spanish Parliament adopted new legislation that maintains the film screen quotas. The new law notes that it is possible that the screen quotas may be eliminated in five years. The three-tiered system established for dubbing licenses for feature length films under the 1994 law ended in June 1999.

In 1998, the regional government of Catalonia adopted a Law on Linguistic Policy. This law called for both dubbing and screen quotas in order to increase the number of films being shown in the Catalan language. Due to strong industry opposition and the start of negotiations with film distributors and exhibitors to resolve their differences, the Catalan

government decided not to implement this law. In March 2000, the regional government annulled the legislation due to strong resistance from film distributors.

#### Customs Regulations/Tariff Rates/Import Taxes

Spanish customs values shipments at C.I.F. prices. For U.S. products, the tariff rate averages five percent. All shipments must be cleared through Customs by a registered customs agent. Usually, total costs to clear customs are between 20 to 30 percent of the shipment's C.I.F. value. This includes tariffs, value added tax (16 percent), custom agent and handling fees.

#### Import Licenses

The EU accession agreement requires that Spain transform its structure of formal and informal import restrictions for industrial products into a formal system of import licenses and quotas. While Spain does not enforce any quotas on U.S.-origin manufactured products, it still requires import documents, which are described below. Neither of the following documents constitutes a trade barrier for U.S.-origin goods.

Import Authorization: (Autorizacion Administrativa de Importacion, AAI) is used to control imports which are subject to quotas. Although there are no quotas against U.S. goods, this document may still be required if part of the shipment contains goods produced or manufactured in a third country. In essence, for U.S.-origin goods, the document is used solely for statistical purposes or for national security reasons.

Prior notice of imports: (Notificacion previa de importacion) is used for merchandise that circulates in the EU Customs Union Area, but is controlled for statistical purposes only. The importer must obtain the document and present it to the General Register.

Importers apply for import licenses at the Spanish General Register of Spain's Secretariat of Commerce or at any of its regional offices. A commercial invoice that includes freight and insurance, the C.I.F. price, net and gross weight, and an invoice number must accompany the license application. Customs accepts commercial invoices by fax. The license, once granted, is normally valid for six months but may be extended if adequate justification is provided.

Goods that are shipped to a Spanish customs area without proper import licenses or declarations are usually subject to considerable delay and may run up substantial demurrage charges. Prior to making shipments, U.S. exporters should ensure that the necessary licenses have been obtained by the importing party. Also, U.S. exporters should have their importer confirm with Spanish customs whether any product approvals or other special certificates will be required for the shipment to pass customs.

#### Export Controls

Spain was a member of COCOM from 1985 on and is now a participant in the "Wassenaar Arrangement" that replaced COCOM. Spain is also a member of the Australian Group for Chemical Products Controls, the Missile Technology Control Regime (MTCR) and is a signatory of the Chemical Weapons Convention which became effective in 1995.

Export controls are regulated by Organic Law 3/1992 and Royal Decree 824/1993. The Royal Decree is still in effect and establishes that both the regulations and the COCOM lists are applicable, as well as the procedures that follow.

#### Import/Export Documentation

Several different forms of documentation may be required for shipments to Spain. Exporters are required to present one commercial invoice, one bill of lading and three copies of a certificate of origin for all shipments. Other certificates are necessary for exporting pharmaceutical goods, perishable foods, live animals and some medical goods.

#### *Sanitary Certificates:*

U.S. Animal and Plant Health Inspections certificates are required from the U.S. Animal and Plant Health Inspection Service (APHIS) for the importation of living plant material, including plants, plant products and seeds, into Spain. Health inspection requirements also govern the importation of animals and parts of animals, including meat products, skins, hides and similar products, marine mammals, fish, crustaceans, or mollusks and parts thereof.

Spanish regulations are subject to the provisions of the Spanish Ministry of Agriculture. Inspections are usually carried out in local offices of the APHIS, which are located in major U.S. ports and airports. Export agents or brokers may present products for inspection. Airlines may handle the inspection of air shipments.

#### *Pharmaceutical Certificates:*

These certificates are required by Spanish Customs for drugs and certain sanitary items. A standard analysis bulletin issued by the manufacturer, listing the product composition, is acceptable for customs purposes.

#### *Other certificates:*

Sea vessels require a certificate of compliance from the Marine Authority (Ministry of Transport) to bring ships into Spain. In order to acquire this certificate, the manufacturer has to demonstrate the sea-worthiness of the vessels. The National Marine Manufacturers Association issues a sea-worthiness affidavit that is accepted by the Spanish authorities for the certificate of compliance.

#### *Fines and Penalties:*

Regulations establish fines for whatever actions delay the normal customs procedure. Fines are not very large, usually around USD 30 or USD 40. These, in and of themselves, do not include fraudulent actions.

#### *Anti-Dumping and Countervailing Duties:*

As a signatory to the Anti-Dumping and Countervailing Duty Codes of the GATT, Spain, through the EU Anti-Dumping Committee, penalizes products imported at less than their normal value which cause injury to domestic industry. The anti-dumping duty will be the

difference between the dumped price and the comparable domestic price of the exported product. The duration of the countervailing duty imposition varies from case to case and the duty imposed currently ranges from five to 33 percent.

### Re-Export/Temporary Entry

The Spanish re-export system is regulated by Order of July 24, 1987, conforming to EU regulations. Re-export inquiries must be addressed to the Port's Customs Director. Re-exports of U.S. goods from Spain follow the same procedures as the exportation of Spanish products. Goods re-exported to other EU member states are subject to statistical surveillance.

Re-exports outside the EU which are not covered by specific EU regulations are exported with an accompanying Customs Export Declaration at the exit point. A limited number of goods require a Prior Notice of Export.

Exporters of high-technology goods subject to U.S. export control procedures must ensure that Spanish clients and subsidiaries are aware of U.S. export controls requirements.

There are four types of procedures for handling the re-export of goods:

- 1) Temporary Imports: Goods imported for a limited time period under an ATA carnet. A bank guarantee in the form of a bond equivalent to duties owed must be provided to Customs, which will be refunded once the goods leave the country.
- 2) Temporary Admission: Goods which will be incorporated into a final product for export. Prior approval by the State Secretariat of Commerce is necessary. The same procedure used for temporary imports applies for re-export.
- 3) Replacement Goods: Companies with continuing needs for primary materials, commodities, or intermediates can request prior approval from the State Secretariat of Commerce for replacement goods after the second year of operation. They must deposit a bond with Customs on the compensatory tax only. Replacements for defective goods destroyed under Customs supervision are also admitted duty-free, but require extensive supporting documentation.
- 4) Drawback: Duties are paid simultaneously with a presentation of a list of products to be re-exported in the future. Later, a rebate is given upon customs clearance out of Spain. This procedure also requires prior approval by the State Secretariat of Commerce.

Companies are advised to use the carnet procedure to temporarily bring goods into Spain for demonstration purposes without paying duties or posting bond. The carnet must be presented to the customs authorities whenever entering or leaving the country. Consumable items and give-away samples are not included under carnet procedures. ATA carnets are predominantly used for commercial samples, tools of trade, advertising material or cinematographic, audio-visual, medical, scientific or other professional equipment that will be imported for a period of less than a year. The advantage of the ATA carnet is that it allows exporters to avoid normal customs clearance formalities.

The carnet also provides a financial guarantee to foreign customs officials so that if the goods are not re-exported, the duty will be paid. A bond equivalent to the duty is charged.

The ATA carnet is used internationally and should be distinguished from the EU carnet, sometimes referred to as the ESC carnet. Introduced in July 1985, the EU carnet is used for the temporary movement of certain types of goods, usually equipment and working materials, between EU countries. Unlike the ATA carnet, it does not require the posting of a bond.

Carnet applications are available from all district offices of the U.S. Department of Commerce, most U.S. chambers of commerce and authorized export insurance companies. The U.S. Council of the International Chamber of Commerce in New York also issues them.

Advertising material, catalogs, price lists and similar printed items are admitted duty free. However, to avoid any problems such items should always be labeled, "no value". Otherwise, a customs duty is likely to be levied on the sample.

As a signatory to the International Convention to Facilitate the Importation of Commercial Samples and Advertising Matter, Spain admits samples of negligible value duty free. Business people upon payment of a bond may import those items that are of commercial value and not covered under carnet procedures for up to a year. Upon presentation of the customs receipt and at re-export, the deposit is refunded.

Qualifying business people entering with commercial samples should come equipped with a letter from his or her principals attesting to their status, identifying the samples and certifying that the samples are not for sale. The nearest Spanish Consulate should certify the letter.

#### Labeling, Marking Requirements

In view of the complexity and rapid change in marking, labeling and testing requirements in Spain, U.S. exporters should request pertinent instructions from their importers prior to shipment.

The following are specific categories of goods, for which marking, labeling, and/or testing requirements are applicable:

**Foodstuffs:** The Directorate General of Health sets human consumption standards for the preparation, residual content and storage media for virtually all classes of foodstuffs. The labels on the container must include the product designation, a list of ingredients, the weight or volume, dates (manufacturing, packing, minimum shelf life, and expiration dates), directions for food preservation (if applicable), identification of the firm involved (manufacturer, packer, or importer) and the country of origin. If the original label is not in Spanish, a similar one must be prepared in Spanish and be firmly affixed to the container. Milk products, margarine, chocolate and soaps have other, more technical labeling requirements. Wines and other alcoholic beverages must meet Spanish standards.

**Textiles:** Customs and point-of-sale regulations require that all textile goods and ready-made clothing have a Spanish label. Standard Spanish textile nomenclature and content requirements must be stated on the label. Requirements relating to textile content, labeling and packaging are specific and extensive. They are regulated by Royal Decree 928/1987, dated June 5, 1987. Manufacturers' trademarks, duly registered, are permitted on textile products.

**Drugs, Pharmaceutical and Cosmetics:** These goods are subject to technical inspection and registration by the Directorate General of Health prior to entry. There are also detailed marking and labeling requirements, somewhat similar to those for foodstuffs, which include detailed chemical composition.

**Fertilizers and Fungicides:** Imported fertilizers must be registered with the local Agriculture Ministry Office. Inspection and analysis will be performed prior to customs clearance. The Ministry of Agriculture must approve all printed advertising and publicity materials, and labels must be in Spanish and include detailed precautions.

**Firearms:** The Spanish government must clear all firearms, and they must bear a stamp of certification.

**Metals:** The Spanish Guarantee Bureau provides assay services and affixes its hallmark for all imported precious metals.

**Motor Vehicles:** Each vehicle will be inspected for engraved serial numbers on both the engine and chassis. If one of these is not available, Spanish customs levies a special charge for stamping the number.

**Tires and Tubes:** All tires and inner tubes must be marked with a serial number.

For agricultural products, labeling requirements are fully harmonized with the EU labeling system; however, the labels must be in Spanish.

#### *Eco-labels:*

In March of 1992, the EU Council approved law 880/92 establishing a community-wide system for granting Eco-labels (green label) to products that voluntarily satisfy environmental standards.

The EU's objectives in setting up a system for issuing green labels are twofold. The labels inform consumers of products that are environmentally safer than others in all aspects of a product's life cycle. Furthermore, they improve the design, production and marketing as well as increase the use of products that have low or non-adverse effects on the environment and that use natural resources wisely.

The EU hopes that these objectives will increase the standards of health, security and the condition of the environment of the EU countries. Products imported into the EU that wish to obtain a green label must follow the same strict criteria as EU members.

Spain's participation in the EU Eco-labeling program was established by Royal Decree in April 1994.

For additional information regarding Eco-labels, please go to:  
<http://europa.eu.int/comm/environmental/ecolabel/>

#### *CE Mark:*

The "CE" Mark is now mandatory for a wide range of products sold in the European Union. The European Commission has established over 30 Directives outlining which products require the CE Mark. The Commission does not publish a list of products to which their laws apply; they require the manufacturer to determine the applicability of Directives to any given product. For more information regarding the CE Mark and the Directives of the European Commission, please contact the U.S. Department of Commerce Office of European Union and Regional Affairs: Herbert C. Hoover Building, Room 3036 Washington DC 20230, tel: 202/482.5276 or the Commercial Service: U.S. Mission to the EU 40 Boulevard du Regent B-1060 Brussels, Belgium, tel: 32/2/508.2674. U.S. manufacturers wishing to export to Europe may also browse: <http://www2.echo.lu/nasd/>

#### Prohibited Imports

Spanish regulations ban the import of illicit narcotics and drugs. They also set up very restrictive regulations for imports of explosives, fire weapons, defense equipment and material, tobacco and gambling material. Furthermore, the government highly restricts the import of many types of pharmaceutical products.

EU regulations on hormones ban most U.S. beef and beef products from entry into the EU. In addition, EU health regulations on live cattle ban U.S. high genetic cattle imports. The U.S. has recently successfully challenged these regulations at the World Trade Organization.

#### Standards

At present, there are no requirements for either ISO 9000 certification or its EU equivalent. Nonetheless, demand for products that meet these standards is growing.

Spain has established specific certification for certain products. This certification procedure is referred to as "homologation" and involves cumbersome product testing by approved laboratories. Although most of the local homologation requirements and testing standards are gradually disappearing as Spanish legislation conforms to EU directives, certain homologation and other special requirements remain for some products.

Generally, a product that meets the standards and certification requirements of any other EU country can be imported and sold in Spain without further testing. Spanish homologation requirements remain in force for computer keyboards and screens, dot matrix printers, teleprinters, medical equipment, electric typewriters, telecommunications equipment, motor vehicles, bicycles, pleasure boats, gas connectors, etc.

The Ministry of Science and Technology as well as the Ministry of Development, which handles transportation and infrastructure, process applications for homologation. These national standards will be phased out as EU norms take effect.



The Spanish Standards Certification Association (AENOR - Asociacion Española de Normalizacion y Certificacion) is responsible for developing voluntary standards and certification programs. It represents Spain in international standards institutions. The Spanish government publishes a list of approved laboratories for testing and certification each year.

Electrical products which operate in a range of 50 to 1,000 volts alternating current or 75 to 1,500 volt direct current have to meet the EU low voltage directive. There are three accepted forms of proof of conformity with this regulation: a mark issued by an authorized EU agency, a certificate issued by an approved EU authority or a declaration issued by the manufacturer. In the latter, the manufacturer self-certifies that the product, manufactured with good engineering practices, will not endanger the safety of persons, domestic animals or property when properly installed, maintained and used in applications for which it was made.

Spain now allows the entry of used equipment, material and goods. However, they are subject to the same standards concerning safety as apply to any new import. Additionally, there may exist regulations specific to the particular type of equipment, such as computers and peripherals, that is being imported. For more information, please consult: [www.aenor.es](http://www.aenor.es)

#### Free Trade Zones/Warehouses

There are three different customs regulations in Spain. The EU common customs apply to the mainland and Balearic Isles. The Canary Islands, previously a customs-free area, is undergoing a transition period to meet EU customs regulations. There is a customs-free trade area in the two northern Africa enclaves of Ceuta and Melilla which are under Spanish sovereignty.

Both in the mainland and islands there are numerous free trade zones (in most of Spanish airports and seaports) where manufacturing, processing, sorting, packaging, exhibiting, sampling and other commercial operations may be undertaken free of any Spanish duties or taxes. The largest free trade zones are in Barcelona, Cadiz and Vigo. Others vary in size from a simple warehouse to several square kilometers. Spanish customs legislation allows for companies to have their own free trade areas. Duties and taxes are payable only on those items imported for use in Spain.

#### Special Import Provisions

Customs agents or brokers who handle the necessary formalities on behalf of the importing firm or individual clear the goods. A bill of lading, an original invoice with a copy, a certificate of origin and an import declaration are required for most clearances through Customs for products which will remain in Spain.

Import declarations are made at the State Secretariat of Commerce or its branch delegation in major port cities through the country. Declarations must use the exact terminology of the tariff classification under which the goods are being imported. The customs agent allows a three-month grace period for U.S.-origin goods arriving without proper documentation, subject to a written guarantee.

Goods in transit need only be listed on the vessel or aircraft manifest and do not have to be unloaded. Transit goods may also be unloaded for shipment to a Customs-approved warehouse prior to reshipment from Spain or to another customs house in Spain for declaration or further reshipment.

#### Membership in Free Trade Arrangements

Spain has been a member of the European Union since 1986, allowing for free trade with fellow members: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Sweden and the UK. The European Union's European Economic Area Agreement in turn provides a high level of mutual market access with the European Free Trade Association states (Iceland, Liechtenstein, Norway, and Switzerland).

#### Customs Contact Information

Agencia Estatal de Administracion Tributaria:  
Departamento de Aduanas e Impuestos Especiales  
Avda. Llano Castellano, 17  
28034 Madrid  
Phone: (34/91) 728-9450  
Fax: (34/91) 729-2065  
Web site: <http://www.aeat.es>

#### Openness to Foreign Investment

The Spanish government is interested in attracting new foreign investment to modernize the economy. It has created new regulations for investment and foreign exchange to make the country more attractive to investors. Spanish law permits foreign investment of up to 100 percent of equity, except in a few strategic sectors. Capital movements have been completely liberalized.

The 1991 Budget Act (Law 31 of December 27, 1990), established that EU-resident companies should receive the same treatment as Spanish companies in strategic sectors (national defense, radio and TV broadcasting, air transportation and gambling). Previously, non-Spanish companies required prior authorization from the Executive for investments in these areas and some foreign ownership ceilings existed. Most of these barriers were lifted, except for investment by foreign investors in munition companies and telecommunications services which still require prior authorization. At the World Trade Organization negotiations on Basic Telecommunications Service, Spain agreed to open this sector on a reciprocal basis to foreign competition by November 30, 1998. In compliance with the agreement, the telecommunications sector was opened on December 1, 1998.

On February 1, 1992, royal decree 1816/1991 eliminated remaining foreign exchange and capital controls. This legislation provides complete freedom of action in financial transactions between residents and non-residents of Spain. Previous requirements for prior clearance of technology transfer and technical assistance agreements were eliminated. The liberal provisions of this law apply to payments, receipts, and transfers generated by foreign investments in Spain.

On April 23, 1999, the adoption of royal decree 664/1999 superseded previous decrees of 671/1992 and 672/1992, both of which required government authorization in certain types of investments. This new decree removes all forms of portfolio authorization and establishes free movement of capital into Spain as well as Spanish capital out of the country. This law also brings Spain into agreement with the multi-disciplinary EU Directive 88/361, part of which prohibits all restrictions of capital movement between member states as well as between such states and other countries.

After the investment is made, the law establishes that it must be registered. Registration requirements are simple and straightforward, except in sectors subject to special consideration. The aim is to verify the purpose of the investment. This procedure does not block any investment.

The law regulates specific safeguards for investments. Some believe that such safeguards are not in Spain's best interest due to the size, the nature of investment and the financial aspects of investments. Depending upon the size of the investment, either the Minister of Economy or the Council of Ministers will invoke these safeguards.

This regulation brings Spain in line with EU directive 88/361, which classifies investors according to residence rather than nationality. However, EU-resident companies will not be exempt from existing authorization requirements if a non-EU resident controls them, directly or indirectly. There is effective control if the non-EU resident holds more than five percent of the EU company's equity or directly participates in the firm's management.

#### Conversion and Transfer Policies

There are no controls on capital flows. Capital controls on the transfer of funds outside of the country were abolished in 1991. Remittances of profits, debt service, capital gains and royalties from intellectual property can all be affected at market rates using commercial banks.

#### Expropriation and Compensation

Spanish legislation sets up a series of safeguards that almost prohibit the nationalization or expropriation of foreign investment. No expropriation or nationalization of foreign investment has taken place recently.

#### Dispute Settlement

Legislation establishes mechanisms to solve disputes if they arise. The Spanish judiciary system is independent from the executive. Therefore, the government is obliged to follow court rulings. Judges are in charge of prosecution and criminal investigation, which permits greater independence. The Spanish prosecution system allows for successive appeals to a higher Court of Justice. The European Court of Justice hears the final appeal. In addition, the Government of Spain abides by some of the rulings of the International Court of Justice at The Hague.

#### Political Violence

The Government of Spain is involved in a long-running campaign against Basque Fatherland and Liberty (ETA), a terrorist organization founded in 1959 and dedicated to promoting Basque independence. ETA regularly targets Spanish government officials, members of the military and security forces, journalists, and members of the Popular Party and Socialist Party for assassination. In recent years, the Spanish government has increased security cooperation with French authorities on the ETA threat. However, ETA killed 34 persons in numerous bombings and shootings between January 2000 and early July 2001 – making it the worst period of ETA violence since the mid-1990s. ETA operatives extort “revolutionary taxes” from businesspersons and professionals living in the Basque region. ETA supporters also engage in street violence and vandalism against government facilities, economic targets (particularly banks), and the homes and property of persons opposed to ETA's cause. U.S. citizens and U.S. companies have not been ETA targets.

Another smaller leftist terrorist group called GRAPO occasionally acts against government interests.

#### Performance Requirements/Incentives

Performance requirements are not used to determine the eligibility or level of incentives granted to investors. A range of investment incentives exists in Spain, and they are provided according to:

- \* the authorities granting incentives; and
- \* the type and purpose of the incentives.

Authorities that provide incentives in Spain:

#### *The European Union:*

The European Union provides incentives in the form of subsidies in general development programs such as FEDER and F.S.E. FEOGA- Guarantee. They also provide programs targeting specific sectors such as SPRINT, JOULE, VALOREM, ESPRIT, DRIVE, BRITE-EURAM, ECLAIR, COMETT II, STAR, etc. The Government of Spain manages these incentives locally.

#### *The Central Government:*

The central government grants these incentives out of its annual budget. Usually, these incentives match EU financing. Central government incentive programs are easily available for direct investment plans. Both the Ministry of Industry and the Ministry of Economy play active parts in granting the incentives.

The Foreign Investment Department, under the Ministry of Economy, counsels new market investors in the application for government incentives. The Ministry of Industry's sector-related departments negotiate directly with the old market investors to inform them of incentives available for new investment.

#### *The Regional Government:*

Regional governments, called Autonomous Communities, also maintain specific programs to attract investment, which are often designed to complement central government incentives.

#### *Municipal aid:*

Municipal corporations offer incentives to direct investment by facilitating infrastructure needs, granting licenses, and allowing for the operation and transaction of permits. Usually they are designed to help ease the initial operations of direct investment.

Generally, the regional governments are responsible for the management of each type of investment. This provides a benefit to investors as each autonomous community has a specific interest in attracting investment that enhances its economy.

#### Types of incentives available:

- \* Financial subsidies
- \* Exemption from certain taxes
- \* Preferential access to official credit
- \* Reduction of burdens, with social security discounts to companies
- \* Bonuses for acquisition of certain material
- \* Customs exemption for certain imported goods
- \* Real estate grants, and gratuitous or favorable land grants
- \* Guarantees granted in credit operations
- \* Loans with low interest, long maturities, and grace periods
- \* Guarantee of dividends
- \* Professional training and qualification
- \* Indirect aid by means of supplying infrastructure facilities (accesses, services, communications, etc.)

Incentives from national, regional or municipal governments and the EU are granted to Spanish and foreign companies alike without discrimination.

#### Right to Private Ownership and Establishment

The Constitution protects private ownership. Spanish law establishes clear rights to private ownership. Except for some limitations in "strategic" sectors (national defense, radio and television broadcasting, air transportation, and gambling), foreign firms receive the same legal treatment as Spanish companies.

Competitive equality exists between public and private firms with respect to local access to markets, credit, licenses and supplies. Foreign firms have participated in the privatization process on equal footing with Spanish buyers.

#### Protection of Property Rights

Spanish law protects property rights with enforcement carried out at the administrative and judicial levels. Any decision by the Administration pertaining to property rights, can

be appealed first at the administrative level and then at the judicial level, which has three levels of court appeals. Property protection is effective in Spain, although the system is slow. Certain property rights, because of their complexity, are more difficult to protect than others, e.g., intellectual property rights.

Public and private sector enforcement actions (especially private sector initiatives) using Spain's new patent, copyright and trademark legal framework have greatly increased the number of criminal and civil actions taken against intellectual property pirates. Overall, Spain's illegal market for videos, records, and tapes has declined sharply. In 1984, according to trade association sources, illegal videos, records, and tapes made up 50 percent of Spain's market. In 2001, according to the same source, illegal products made up roughly 5 percent of the video market. However, piracy of video games remains at a much higher level—upwards of 70 percent according to industry sources. Copying of music CDs is also increasing. While over five percent of households in Spain have the ability to copy CDs, a larger concern is the growth in organized CD pirate operations which have sparked a sharp increase in the sale of illegal CDs. It is estimated that illegal CDs constitute between 10 and 25 percent of the Spanish market. That said, this problem is not specific to Spain; mass CD copying is a major problem throughout Western Europe..

Software piracy had been a serious problem for Spain; leading to its inclusion on the Special 301 “watch list” in April 1999. Measures instituted by the Spanish Government since that time led to Spain's removal from the Special 301 list in 2001.

#### Regulatory System: Laws and Procedures

Spain modernized both its commercial laws and regulations following its 1986 entry into the EU. Its local regulatory framework compares favorably with other major European countries. Bureaucratic procedures have been streamlined and most red tape has been eliminated. Labor laws and regulations have been the exception, although the 1994 Labor Reform Laws and the April 1997 pact signed between labor and business may signal a change.

#### Bilateral Investment Agreements

Spain concluded bilateral investment agreements with Hungary (1989), Morocco (1989), Bolivia (1990), the Czech Republic (1990), Russia (1990), Argentina (1991), Chile (1991), Tunisia (1991), China (1992), Uruguay (1992), Pakistan (1994), Kazajstan (1994), Peru (1994), Cuba (1994), Nicaragua (1994), Lithuania (1994), Bulgaria (1995), El Salvador (1995), Latvia (1995), Malaysia (1995), Rumania (1995), Indonesia (1995), Venezuela (1995), Mexico (1995), Lebanon (1996), Ecuador (1996), Croatia (1997), Estonia (1997), Panama (1997), Slovenia (1998), Ukraine (1998), and the Kingdom of Jordan (1999).

#### OPIC and Other Investment Insurance Programs

As Spain is a member of the European Union, OPIC insurance is not applicable, nor are other insurance programs. Various EU directives, as adopted into Spanish law, adequately protect the rights of foreign investors.

## Labor

Employment estimates for 2000 show that there were about 14.6 million Spaniards in the work force. This figure is expected to climb to 15.0 million for 2001. Meanwhile, unemployment continued its decrease from the 1994 high of 24.2 percent down to 13.6 percent in 2000. Conservative estimates predict unemployment will decline to 12.7 percent in 2001, compared with 8.0 percent for the EU. Unemployment for women continues to be substantially higher than the male average, at 20.4 percent compared to 9.6 percent.

Despite recent improvements in job creation, Spain continues to have the highest unemployment figure in the EU. President Aznar's Administration has had notable success in combating unemployment, almost halving the rate since taking office in 1996. Labor market reforms in 1994 and 1997 have eased but not fundamentally changed this situation, with the result that one third of all employed Spaniards are temporaries. The government has implemented two rounds of reform to liberalize hiring practices and the Congress continues to discuss further labor reforms. Reforms include making the labor system more flexible, attracting more women into the workforce, and adjusting salaries to reflect productivity.

Though dues-paying union membership is among the lowest in the EU (generally estimated to be about ten percent), unions are involved in negotiating collective agreements for over half the work force. Under the Spanish system, workers elect delegates to represent them before management every four years. If a certain proportion of those delegates is union-affiliated, those unions form part of the workers' committees. Large employers generally have individual collective agreements. In industries characterized by smaller companies, collective agreements are often industry-wide or regional.

The constitution guarantees the right to strike and it has been interpreted to include general strikes called to protest government policy. There have been many strikes in recent years. The sectors mainly affected by the strikes were metal, transport and communication. The main reason for the strikes was to exert pressure while negotiating collective agreements.

## Foreign-Trade Zones/Free Ports

Manufacturers mainly use free ports, foreign-trade zones and other customs-free areas for exporting purposes. Manufacturers that set up an operation in this area enjoy the advantages of importing their supplies without any customs duties. These companies have to abide by Spanish labor laws.

## Capital Outflow Policy

The government actively encourages Spanish investment abroad as a way to diversify the Spanish economy. However, Spain's presence is still small in most regions of the world, with the notable exception of Latin America where investment in energy, utilities, construction, finance, insurance and telecommunications has taken off dramatically in recent years. Spanish companies (some of them ex state-owned monopolies, recently privatized) have acquired a controlling interest in some of the largest companies in these sectors in Brazil, Argentina, Chile, Peru, and Venezuela. In 1999, Spain's dominant

energy company Repsol bought YPF, the Argentine petroleum company, for USD 13.5 billion. In 1998, Telefonica, Spain's newly privatized telecommunications company, paid almost USD 5 billion for one of the companies that formed part of Brazil's telephone monopoly Telebras when it was privatized in addition to other acquisitions in the Brazilian telecommunications market. More recently, in May 2000, Telefonica purchased the U.S. Internet portal Lycos. Other Spanish enterprises have established a growing presence in some of the smaller economies of Central America, such as the Dominican Republic and Cuba. As a general policy, the Spanish government supports investments in developing countries through tied-aid credits or development assistance programs.

In addition, a handful of private companies, mostly in the food and beverage industries, have operations abroad stretching from Europe to Asia and the Western Hemisphere.

In 2000, Spanish investment abroad reached USD 59.5 billion. There was a 5.8 percent increase from 1999's level.

### Major Foreign Investors

Foreign investment has played a significant role in modernizing the Spanish economy over the past 35 years. Attracted by Spain's large domestic market, export possibilities and growth potential, foreign companies in large numbers have set up operations. Spain's automotive industry is almost entirely foreign-owned. Multinationals control half of the food production companies, a third of chemical firms and two-thirds of the cement sector. Several foreign banks have acquired networks from Spanish banks, and foreign firms control close to one third of the insurance market. In 2000, Spain recorded USD 60 billion in new foreign direct investment – about three and a half times the amount invested in 1998. In 2000, the largest investors in Spain remained the Netherlands, France, the United States, the United Kingdom, Portugal and Germany.

### Banking System

Spain has a diversified modern financial system, which is fully integrated with international financial markets. The system includes credit, stock and money markets, and specific markets for derivatives (options and futures based on different assets).

The banking system is regulated by the Ministry of Economy (formerly the Ministry of Economy and Finance), the Bank of Spain, the Directorate General of Foreign Transactions, and the Directorate General of the Treasury and Financial Policy.

The creation of the EU single market in banking and insurance services has generated changes in the Spanish legal framework. Spain has adopted EU Directives regulating the equity and solvency ratio of credit institutions, and the Second Council Directive on banking coordination. It has also adopted EU Directives on the securities market and insurance services.

The improvement of Spain's economic climate is benefiting the banking industry. Inflation and interest rates are at historic lows. Competition in the banking market is intense and brings down interest rates. Spanish banks are well capitalized.



The Spanish financial system can be classified as follows:

1. The central issuing bank: Bank of Spain
2. Other banks:
  - \* Spanish and foreign banks
  - \* Savings banks
  - \* Credit cooperatives - Rural savings banks
3. Other credit entities:
  - \* Credit Financial Establishments (introduced by Law 3/94, implementing the Second EC Directive on banking coordination). These are credit entities specialized in certain asset products which cannot take public deposits (leasing, lending, factoring, mortgage loans)
  - \* ICO-Instituto de Credito Oficial (Institute for Official Credit). This institute acts as the State's finance agency and investment bank.
4. Investment institutions:
  - \* Collective investment entities:
    - Investment companies dealing in Marketable Securities, Property Assets
    - Investment funds: Marketable Securities, Money Market Assets, Property Assets, Mortgage Securities, Pension Plans and Funds
  - \* Venture capital funds and companies
  - \* Other investment entities
5. Brokers:
  - \* Stock market: Stockbroker companies and agencies
  - \* General: Banks and Security Management and deposit companies
6. Insurance and re-insurance companies and insurance brokers

### The Bank of Spain

The Bank of Spain plays the most important role in the regulation and supervision of banks and deposit-taking institutions. The Law 13/1994 provided the Bank of Spain with a high degree of autonomy from the Spanish government, as required by the Maastricht Treaty (EU). This Law was modified by Law 12/1998, which ensures full integration of the Bank of Spain in the European System of Central Banks, recognizing the Central European Bank's authority to define monetary policy within the EU. The Bank of Spain acts as a banker to the government and banking system, supervises operations of other banks and credit institutions, maintains centralized information system, and regulates exchange controls and foreign exchange markets.

The establishment of the European Monetary Union (EMU) and, consequently, the creation of the Central European Bank affected some of the functions performed by the Bank of Spain. According to the EMU's schedule of implementation, the Central Bank has complete responsibility over monetary and exchange policy since January 1999. The Bank of Spain cooperates with the Central Bank.

### Banks

Private and savings banks are important because of their volume of business and because their activities cover all segments of the economy. Of the 146 registered private banks in Spain, there are 93 domestic, 53 foreign banks (41 branches of foreign banks headquartered in the EU and 12 with headquarters in non-EU countries, which includes four U.S. banks). These banks have a total of more than 17,000 branch offices, although downsizing processes in some institutions are reducing this figure. Many of them also maintain an international presence.

Most Spanish banks provide a full range of services to corporate and private customers, including international financing (collections and payments).

The Spanish Savings Bank Confederation comprises 50 confederated savings banks and 12 regional savings bank federations, with more than 16,000 branch offices. Savings banks are well-established institutions attracting a substantial portion of private savings in Spain. They lend primarily to private customers via mortgages and loans. These institutions are also active in financing major public and private projects by subscribing and purchasing fixed-income debt securities.

Many Spanish banks have merged to improve, in part, their position in view of the EU single market for banking services. As part of this process, a holding entity, Argentaria, has been created to group state-owned holdings in various banks into one single entity. Argentaria's privatization process was completed at the end of 1998, and it merged with Banco Bilbao Vizcaya in October of 1999 to form the largest Spanish bank, BBVA. In January 1999, Banco de Santander and Banco Central Hispano also reached an agreement to merge and form Banco de Santander Central Hispano (BSCH), the second largest bank group in Spain.

Spanish legislation governing the incorporation of banks is regulated by Royal Decree 1245 dated July 14, 1995. Authorization to carry out banking activities is the responsibility of the Ministry of Economy at the recommendation of the Bank of Spain. Foreign banks already authorized in another EU member country do not need authorization from the Bank of Spain to set up a branch or representative office in Spain. The conditions of access to the Spanish financial system are the same for both Spanish and foreign companies.

#### Investment and Brokerage Entities

Spain has taken steps to improve its investment and brokerage entities. The regulations governing investment entities establish the requirements for financial reporting to the public. Regulations also recognize new types of investment organizations such as venture capital funds and companies. Additionally, Spain has created tax relief measures to eliminate the extra costs involved in using this medium for investments.

These measures have led to a notable increase in the number of these institutions (2,477 in 1998) and in the volume of their investment (approx. \$216.5 billion). Property investment funds also exist in Spain, thus completing the process of adaptation to and standardization with collective investment instruments in the EU.

#### Credit Market

The Spanish credit market is structured around private banks, which attract most private and corporate savings and use their funds to provide financing for the private sector. These banks also operate as investors and underwriters in the stock market. They adjust their liquidity by interbank and money market transactions.

The process of liberalization of capital movements in the EU is making it easier for Spanish companies to obtain financing from abroad.

### Stock Market

The Spanish Stock Market comprises four stock exchanges. After dealing only in stock and bond issues, Spain's stock exchanges have undergone a process of renovation, which has brought new ways of operating and new types of financial assets.

Leading Spanish private companies and banks are listed on the stock market. Also listed are guaranteed bills, promissory notes issued by the Spanish branches of foreign banks, and some foreign companies' shares. Certain non-resident entities may also issue bonds denominated in pesetas (matador bonds) in the Spanish market.

The Spanish system of market regulation is based on a British/U.S. model. Its primary objectives are to protect small investors and the market itself. Spain has a single computerized and centralized continuous stock market in which insider trading is penalized. A National Stock Exchange Commission supervises the system and cooperates in developing its regulations.

The competitive securities market has a three-day settlement system. Trading on credit is permitted and new hedging instruments, index and warrant options are available. Furthermore, the government has enacted stricter and more comprehensive regulations regarding takeover bids. Other positive developments for the stock market in Spain include the establishment of markets for options and futures and an unofficial second market for trading in fixed-income assets. These advances have made the Spanish securities market more transparent and safer.

The Spanish stock exchange ranks as the ninth largest market in the world by trading volume.

In recent years the Spanish government has carried out a privatization process for several previously state-owned companies such as Telefonica (telecommunications), Repsol (oil and chemicals), Tabacalera (tobacco), Argentaria (bank) and Endesa (energy) have been partially or totally privatized. In some cases, individual investors have acquired a significant percentage of the shares.

### Money Market

The Bank of Spain bases Spain's money market fundamentally on the issuance of short-term securities, which are taken up by banks, finance companies and money market operators.

Because of the increased liberalization and greater flexibility of the Spanish financial system, the money market has become increasingly more important. Interest rates are ordinarily higher than the rate of inflation and there is a substantial volume of trading in

money market securities. The government debt market is also important in Spain, and both resident and foreign investors use it. For non-residents, favorable tax arrangements for investments in these securities make Spain an attractive market.

### Pension Plans and Insurance Companies

The development of security investment companies and funds in Spain has increased during recent years. The Pension Plans and Funds Law of 1987 introduced a new form of saving in Spain. This law deals with the existence of pension plans promoted by employers, associations, and financial entities. These plans include favorable tax treatment, as well as restrictions on the use of the funds before retirement, death or disability takes place. However, as of January 1998, the accumulated savings in pension plans can be used in the events of long-duration unemployment or serious illness. Furthermore, the new private insurance legislation, Law 30/1995, requires companies to formalize their pension plans with an external fund or insurance contract.

The life insurance market has also grown substantially in Spain, due primarily to the similarities between survival insurance contracts and traditional saving formulae, and the more favorable tax treatment of the former. However, the government prohibits the sale of short-term survival insurance with low actuarial content.

In recent years, international insurance companies have set up operations in Spain, either by forming subsidiaries and branch offices or by purchasing existing companies. In most cases, they have achieved profitable results and excellent positioning in the market.

### The European Monetary Union, the Euro and the Effects on the Spanish Financial System

Spain is one of the eleven EU-member countries that entered into the EMU as of January 1, 1999. In June 2000, Greece was accepted to participate in the EMU and joined the single currency on January 1, 2000. The main advantages of the EMU include:

- \* A decrease of exchange transaction costs and related expenses for companies with international operations;
- \* An increase in opportunities for foreign investors and exporters to expand business across European national markets;
- \* Required price stability and economic convergence amongst member states, which will ease long-term industrial investment decisions;
- \* An ease in trans-border trade in Europe;
- \* Higher degree of standardization of accounting practices, which will make it easier for an exporter or investor to bill in one European currency rather than in 12 local currencies;
- \* A broader European capital market, offering easier funding in bonds, cheaper bank products and access to a broader investor basis;

- \* Easier treasury management for international corporations established in Europe; and
- \* An increased pressure on governments to standardize tax levels and eliminate obstacles to competitiveness, due to the Euro.

In the medium to long-term, non-EU companies can adopt the Euro in international business. Forecasts predict that eastern and central European countries that now align their currencies to the Deutch Mark (DM) and African countries that align theirs to the French Franc (FF) will adopt the Euro for international business.

The creation of the European Central Bank and the beginning of the manufacturing process of Euro notes and coins started in 1998. On January 1, 1999, irrevocable conversion rates for EU currencies to the Euro were established. The exchange rate for the Spanish peseta was established at one Euro equals 166.386 Pesetas. As of January 1, 1999, the Euro replaced the ECU and was introduced into contracts. Since then, prices have been established both in Euros and in local currencies. In the same year, the European Central Bank was given complete responsibility for monetary and exchange rate policy. The first Euro notes and coins will begin to circulate on January 1, 2002. Both types of currencies will be valid until February 28, 2002, when the Euro will become the official currency.

#### Foreign Exchange Controls Affecting Trade

The adoption in recent years of required EU regulations completed the liberalization of the Spanish financial sector. For example, exchange controls and capital movements are now fully liberalized. Between 1991 and 1993, Spain implemented several key Royal Decrees. They were:

- \* Foreign transactions (RD 1816, December 1991), modified in 1993 (by RD 42/1993) and in 1996 (by RD 1638/1996).
- \* Spanish investment abroad (RD 671 and 672, July 1992).

Some main features of Royal Decree 1816/1991 include:

Safeguard clauses: Under exceptional circumstances, the law authorizes the Spanish government to prohibit or limit certain financial transactions with non-residents. This is applicable if the transactions affect Spanish interests, or if they affect the application of measures adopted by international bodies of which Spain is a member.

#### Documenting transactions: For statistical purposes, banks must document money transactions.

Declaration to the Bank of Spain: Notification must be given to the Bank when certain transactions occur between residents and non-residents such as: financing and deferral of payments and receipts for over a year, offsets of credits and debits on commercial and financial transactions, and financial loans received from non-residents.

Prior notification: This regulation requires prior notification for the export of coins, bank notes and bearer checks, in either local or foreign currency, for amounts over one million

pesetas per person, per trip. Prior notification is also required for quantities coming into Spain of more than one million pesetas.

Prior authorization: Prior administrative authorization is required for the export of coins, bank notes, and bearer checks, in either local or foreign currency, for amounts over five million pesetas per person, per trip.

Bank accounts: Non-resident individuals and companies can maintain bank accounts under the same conditions as residents. The only requirement is documentation of non-resident status.

For exchange control purposes, residents are:

- \* Individuals who live in Spain
- \* Companies with registered offices in Spain
- \* Branches or subsidiaries of foreign companies or of individuals living abroad

#### General Availability on Financing

Banks are the primary source for short and long-term capital. While short-term financing is relatively easy to obtain, banks are very cautious about lending medium and long-term funds. Only the largest companies have easy access to these types of loans.

The most important types of short-term financing are made through loan agreements (polizas de credito), discounting of commercial bills, and loans made against bills drawn on the borrowing company to the order of the bank (efectos financieros). Under a "poliza de credito" (the usual term is six months) the borrower has access to credit up to the maximum amount negotiated in the loan agreement. Spanish borrowers prefer "polizas" to loans made against bills (efectos financieros or letras financieras) because the latter are subject to stamp tax. Commercial bills and other trade instruments are generally discounted under an overall credit line agreed upon by the bank and its client.

Banks usually offer these lines for one year and prefer that short-term paper (30, 45 or 90 days) be passed through the line. Local companies that wish to raise their discount ceilings can normally do so by opening term or savings accounts equal to 5-20 percent of their drawings. Equity financing is also available.

Savings banks offer mainly, but not exclusively, credit for projects within their local areas. Loans offered are directed towards the financing of long-term housing and agriculture as well as to projects that create new jobs and improve the infrastructure of the area.

The Official Credit Institute (ICO), a state supported agency, offers special terms on loans for industrial restructuring and for smaller firms.

Credits from the European Investment Bank are increasingly significant in Spain and are available for investment projects directed to the development of selected sectors and regions.

## How to Finance Exports/Methods of Payment

Methods of payment are the instruments used in international trade to guarantee collection of funds and reduce the commercial risk. The methods of payment most commonly used in Spain for international trade are:

Checks (cheque): While bank checks offer security in transactions, (since the bank issuing the check needs the guarantee of the transfer to issue it), personal checks do not offer enough guarantees against commercial risk as the bank does not guarantee the funds in the account of the person issuing the check.

Payment Order (orden de pago): In this case, the importer gives an order to the bank and, by using a correspondent bank in the same country, pays the exporter's bank the amount due. The initiative for the payment in this case is the importer's responsibility. These transfers, via SWIFT, are a common practice in the Spanish banking system.

Documents against payment (remesa documentaria): Exporters use this instrument to ensure the possession of the merchandise until the collection of funds, or at least until the importer accepts a bill of exchange.

Documentary Credit (credito documentario): This method of payment offers safer conditions in the transaction, due to the involvement of banks in both countries. In this case, the importer's bank ensures against the entrance of a third party (an exporter, the bank or a correspondent bank).

In general, foreign products are imported by using irrevocable letters of credit against documents, particularly during the first year of business. Opening irrevocable letters of credit is a straightforward process in Spain through which importers can insure against exchange risk with their banks. When a long-term relationship has been established between a supplier and a customer, credit may be negotiated. Payment practices are 30, 60 and 90 day terms. However, for large orders, payment conditions are established on a case by case basis.

## Types of Available Export Financing and Insurance

Numerous financial organizations exist to assist American exporters. They include commercial banks and private financial sources such as factoring, forfeiting and confirming services. U.S. government programs are also available to assist the U.S. exporter. Several federal, state, and local government agencies offer many types of programs. Some are guarantee programs that require the participation of an approved lender. Other programs provide loans or grants to the exporter or a foreign government.

Commercial banks use government guarantee and insurance programs to reduce the risk associated with loans to exporters. Lenders who are concerned with an exporter's ability to pay often use government programs to reduce the risk that would otherwise prevent them from providing finance.

For assistance in determining which financing options may be available, companies should consult the following sources:

- \* The exporter's international or domestic banker.

- \* The exporter's state exports promotion or export finance office.
- \* A Department of Commerce district office.
- \* The Export-Import Bank of the United States (ExImbank).

### Availability of Project Financing

The Export-Import Bank of the United States (ExImbank) is the federal government's trade finance agency, offering many programs to address financial needs of American firms. Other agencies fill various market niches. The Department of Agriculture offers a variety of programs to foster agricultural exports. The Small Business Administration (SBA) offers programs to address the needs of smaller exporters. The Overseas Private Investment Corporation (OPIC) provides specialized assistance to U.S. firms. The Agency for International Development (USAID) provides grants to developing nations that can be used to purchase U.S. goods and services.

### Types of Projects Receiving Financing Support

As mentioned in previous sections, U.S. exporters may receive financing in support of their exporting efforts from different institutions in the U.S. and for different types of projects. In Spain, there are several types of grants and incentives offered from the different levels of government (European, Spanish National Government and regional and local authorities). These incentives can be classified as:

- \* State and regional incentives for training and employment, especially focused on improving qualifications of active workers and under-skilled workers, and fostering indefinite employment;
- \* State and regional incentives for specific industries, providing financial aid and tax benefits for activities in certain industries in priority sectors (e.g., agrofood industry, energy, mining, technological improvement, R&D). The GOS has recently approved a new version of the "National Plan for Scientific Research and Technological Innovation" which is largely in line with new E.U. Framework Plan for R&D and is partly funded by E.U. Structural Funds. The National Plan will be in force until 2003. The objectives of the Plan are to raise the level of Spanish science and technology, enhance the competitiveness of companies and increase the efficient use of R&D results.
- \* Incentives for investment in certain regions, to promote economic growth in less developed areas (Economic Promotion Areas and Special Areas) with a ceiling of up to 50 percent of the investment;
- \* State incentives for small and medium firms, known as "Iniciativa PYME". The Directorate General for Small and Medium Firms has launched several programs addressed specifically to SMEs: the Business Cooperation Program, the Program to Promote Information Services, Design Programs and Financing Programs;
- \* Incentives for Internationalization primarily addressed to Spanish firms willing to invest abroad or foster their business activities abroad;



\* EU incentives and grants, focusing especially on depressed European regions and those with the lowest levels of income and high unemployment. These EU incentives are routed through Spanish institutions. Some of these EU instruments are:

1) European Investment Bank: Loans from this entity may cover up to 50 percent of the projects and are especially aimed to promote projects of interest for several states in the areas of energy, environment and industrial development for SMEs.

2) European Investment Fund (EIF): Has the objective of increasing investments in the Pan-European transportation network, telecommunications and energy industries.

3) Structural Funds: These are one of the largest chapters for EU expenditure and are used to fund structural improvements in the less developed EU member States. Some of these structural funds include:

- European Social Fund (ESF - especially aimed to fund official agencies and non-profit organizations),
- European Agricultural Guidance and Guarantee Fund (EAGGF - to improve processing and marketing conditions of agricultural products),
- European Regional Development Fund (ERDF - for industrial, educational and health care infrastructure),
- Cohesion Funds (to promote economic and social progress, removing differences in living standards, especially to co-finance Trans-European transportation and environmental projects).
- Financial Instrument for Fisheries Guidance (FIFG) aimed at structural actions to be carried out in the fisheries and aquaculture sectors and the industry processing and marketing their products.

4) R&D Programs, currently covering the period 1998-2002

5) European Finance Companies, to assist European SMEs with financing problems, under the shape of venture capital institutions or development agencies.

6) Joint European Ventures, to encourage the establishment of Pan-European SMEs.

#### List of Banks with Correspondent U.S. Banking Arrangements

All major Spanish banks have agreements with one or several U.S. banks. (See list of banks in Chapter 11.)

#### Business Customs

There is no substitute for face-to-face meetings with Spanish business representatives to break into this market. Spaniards expect a personal relationship with suppliers. Initial communication by phone or fax is far less effective than a personal meeting. Mail campaigns generally yield meager results. Less than 30 percent of local managers are fluent in English.

Spaniards are more formal in personal relations than Americans but much less rigid than they were ten years ago. The biggest mistake a U.S. businessperson can make is to

assume doing business in Spain is just like doing business in Mexico and Latin America; Italy or France would be a better comparison. A handshake is customary upon initiating and closing a business meeting, accompanied by an appropriate greeting. Professional attire is expected. Business dress is suit and tie, and business cards are required.

Spaniards tend to be "conservative" in their buying habits. Known brands do well. Large government and private sector buyers appear more comfortable dealing with other large, established organizations or with firms that are recognized as leaders within their sectors.

### Travel Advisory and Visas

Spain is a developed and stable democracy with a modern economy. Tourist facilities are widely available.

Entry requirements: A passport is necessary but a visa is not required for tourist or commercial stays of up to three months. Holders of official or diplomatic passports need a visa if traveling on official business. Under the Schengen accord, U.S. citizens may travel without a visa between Spain and other Schengen countries (Austria, Belgium, Denmark, France, Finland, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal and Sweden). U.S. citizens may reside visa-free up to three months within the combined Schengen countries during any six-month period. The Spanish police may grant additional three month stays in Spain for exceptional circumstances. Before the initial period of temporary residence expires, one may apply for an extension at any Spanish police station. The extension applies only to Spain, not to other Schengen states. After an extension, a U.S. citizen must apply for a residency, work or student permit or leave the country for at least six months. To apply for a permit, one must first acquire the respective visa at a Spanish Consulate in the place of last residence. There is no mechanism for applying for the visa in Spain or for applying for a residence permit without the visa. For further information concerning entry requirements for Spain, travelers may contact the Embassy of Spain at 2375 Pennsylvania Avenue, NW, Washington, DC 20037, tel: (202) 728-2330, or the nearest Spanish consulate in Boston, Chicago, Houston, Los Angeles, Miami, New Orleans, New York, San Francisco, or San Juan.

Medical facilities: Good medical care is available. U.S. medical insurance is not usually valid outside the United States. Travelers have found supplemental medical insurance with specific overseas coverage to be useful since doctors in Spain expect up-front payment. The Center for Disease Control's international travelers' hotline can provide further information on health matters: (404) 332-4559.

Crime information: Minor crimes such as pick pocketing, robbery, and theft from cars are frequent and are often directed against unwary tourists. Theft of small items like radios, luggage, cameras, briefcases, and even cigarettes from parked cars is a common problem. Spain also has a very low, but rising, rate of violent crime, and victims are sometimes choked or pushed to the ground. Thieves often attempt to distract victims by first squirting mustard on their clothing, asking for directions on the street, etc. The American Embassy also frequently receives reports of roadside thieves posing as "good Samaritans" to persons experiencing car problems. The thieves typically divert the driver's attention by pointing out a mechanical problem then steal items from the vehicle while the driver is looking away. The Embassy advises drivers to be extremely cautious

about accepting help from anyone other than a uniformed Spanish official. Travelers who accept unofficial assistance are advised to protect their valuables by keeping them in sight or locking them in the vehicle. Bags or other articles left unattended in Spain are likely to be stolen. Andorra has a low rate of crime.

The loss or theft of a U.S. passport should be reported immediately to the local police and the nearest U.S. Embassy or consulate. Travelers are urged to keep a photocopy of documentation evidencing U.S. citizenship and to keep original documents such as passports in a hotel safe or other secure location. Applicants for replacement passports must present evidence of identity and citizenship. U.S. citizens can refer to the Department of State's pamphlet, *A Safe Trip Abroad*, or visit their web site at <http://travel.state.gov> for ways to promote a more trouble-free trip. The pamphlet is available from the Superintendent of Public Documents, U.S. Government Printing Office, Washington, D.C. 20402.

**Drug penalties:** U.S. citizens are subject to the laws of the country in which they are traveling. In Spain, penalties for possession, use, or dealing in illegal drugs are strict, and convicted offenders can expect jail sentences and fines.

**Terrorist activities:** Civil disorder in Spain is rare. Terrorism does not pose a significant threat to Americans in Spain. In the past, two Spanish terrorist organizations, ETA and GRAPO, have sometimes bombed tourist facilities during the summer. These attacks were apparently planned so as to avoid inflicting casualties. They have been less frequent and less numerous in recent years. Neither group has ever targeted a U.S. citizen. The only American casualty due to terrorism in Spain was a chance victim of a bombing directed at others. In September 1998, ETA declared a temporary cease-fire, halting its violent activities, but rescinded the cease-fire in late 1999.

**Registration:** U.S. citizens who register in the consular section at the U.S. Embassy or consulate may obtain updated information on travel and security within Spain.

**Embassy and consulate locations:** The U.S. Embassy in Madrid is located at Serrano, 75, and is open from 9:00 a.m. to 6:00 p.m.; telephone (34/91) 587-2200. The Consular Section is open to the public in the mornings only. American Citizen Services, including passport services, is open from 9:00 a.m. to 1:00 p.m. There is a U.S. Consulate in Barcelona, at Paseo Reina Elisenda, 23, telephone (34/93) 280-2227. There are also Consular Agencies in the following locations:

- \* Málaga (Fuengirola), at Avenida Juan Gomez Juanito, 8, Edf. Lucia 1C 29640, telephone (34/952) 47-48-91, hours 10:00 a.m. to 1:00 p.m.;
- \* La Coruña, at Canton Grande, 6-8E, telephone (34/981) 21-32-33, hours 10:00 a.m. to 1:00 p.m.;
- \* Las Palmas, at Edificio Arca, c/Los Martínez de Escobar, 3, oficina 7, telephone (34/928) 27-12-59, hours 10:00 a.m. to 1:00 p.m.;
- \* Palma de Mallorca, at Av. Jaime II, 26 entresuelo, H-I telephone (34/971) 72-66-60, hours 10:30 a.m. to 1:30 p.m.;

- \* Seville, at Paseo de las Delicias, 7, telephone (34/954) 23-18-85, hours 8:30 a.m. to 1:30 p.m. and 2:30 p.m. to 4:30 p.m.;
- \* Valencia, at Calle Dr. Romagosa, 1-2, telephone (34/96) 35-16-973, hours 10:00 a.m. to 1:00 p.m.

### Holidays

National holidays: The Government of Spain publishes a list of holidays every year. The list for 2002 is not available yet. In any case, it will not differ much from the following 2001 list.

Jan. 1 (New Year's Day); Jan. 6 (Epiphany); Apr. 12 & 13 (Holy Thursday & Good Friday); May 1 (Labor day); Aug. 15 (Assumption); Oct. 12 (National Day); Nov. 1 (All Saints' Day); Dec. 6 (Constitution Day); Dec. 8 (Feast of the Immaculate Conception); Dec.25 (Christmas).

In addition to these national holidays there are many local holidays which vary by region and city. In Madrid: May 2 (Madrid Community Day); May 15 (Feast of Saint Isidro, Patron Saint of Madrid), etc.

### Work Week

The workdays abutting Spanish holidays and vacation periods are not a good time to schedule business meetings. Neither are the month of August nor the several vacation periods around Christmas and Easter. Business hours in Spain are generally 9:00 a.m. to 6:00 p.m. Monday through Friday. Banking hours are 8:30 a.m. to 2:30 p.m. during the week, and sometimes Saturday morning. Department stores are generally open 10:00 a.m. to 8:00 p.m., Monday through Saturday. To ensure availability, appointments are recommended.

### Business Infrastructure

*Communications:* Telecommunications to and from Madrid compare favorably with those in any large U.S. city. A direct-dial telephone system links Spain to the U.S. and most of the world. Calls to the United States may be charged to international telephone cards such as AT&T (900-99-00-11), MCI (900-99-00-14) and Sprint (900-99-00-13). You can also use these numbers to place collect calls to the U.S. or for international directory inquiries if you own any of the three calling cards. If you do not carry an international telephone card, you may also reach the local international directory by dialing 025. Due to recent changes in the network, older telephone numbers may be incomplete or incorrect. Since 1998, provincial codes, two or three digit codes beginning with 9, are obligatory even within regions. In April 1999 the first digit of mobile telephone numbers was changed to 6. Public phones in Spain accept coins and Telefónica debit cards. Some public phones also accept commercial credit cards.

*Transportation:* Frequent direct air service is available to major U.S. cities from Madrid and Barcelona. Airports in both Madrid and Barcelona have good bus service to downtown. Taxis are easily available at major cities all over Spain.

Numerous American citizens contact the Embassy saying a cab driver charged them an outrageous fee. Rates are posted in all normally licensed taxis. In addition to the initial charge and mileage, various supplements may be added: e.g., for riding to/from the airport (500 Ptas), rides to a bus or train station, and service on holidays or between 11 p.m. and 6 a.m., (all 150 Ptas), or handling baggage (50 Ptas/bag). A trip to or from Barajas Airport and downtown Madrid ranges from 2000 to 3000 Pesetas. "Auto-taxis" are under a different licensing scheme and drivers set their own rates. Travelers arriving at the airport are likely to be approached by auto-taxi drivers who will charge double or triple the cost of a regularly licensed taxi. Catching a cab at a taxi stand should avoid this hazard. If the rate appears unreasonable, request a receipt (un recibo). The receipt should have the taxi's license number in perforated holes at the top right margin.

There is a good highway network linking major cities in Spain. Secondary roads are poor in Galicia and Asturias (in the Northwest). The Spanish railway system is extensive. There are high-speed trains from Madrid to both Sevilla and Málaga. Madrid and Barcelona enjoy excellent railway systems in their metropolitan areas. Buses and the Metro (subway) in Madrid and Barcelona may be crowded during rush hours but provide fast and efficient service.

*Electrical Characteristics:* Electric current in Spain is 220 volts AC, 50 cycles. Most U.S. electrical equipment and appliances need a transformer and plug adapter.

#### Climate and Clothing

Despite differences among various regions, Spain has a typical Mediterranean climate. The weather in the northern coastal regions (looking onto the Atlantic and the Bay of Biscay) is temperate and generally rainy throughout the year, and temperatures are neither very low in winter nor very high in summer. The climate on the Mediterranean coastline, including the Balearic Islands, is mild in the winter, and hot and dry in the summer. The most extreme differences take place in the interior, where the climate is dry, with cold winters and hot summers. The Canary Islands have a climate of their own, with temperatures constantly around 20 degrees Celsius (68 degrees Fahrenheit) and little variation between summer and winter or day and night.

#### Tipping

A service charge is normally included in restaurant bills. Small, additional tips are often left for particularly good service. Taxi drivers may be tipped by rounding up the payment to include up to five percent of the fare. At no time in Spain are tips obligatory.

#### Commercial Language

While an increasing number of business people speak English, product literature, correspondence and negotiations in Spanish provide a distinct advantage over competitors who use only English. There are certain regions in Spain with a second official language: Catalan in Catalonia, Valencia, and the Balearic Islands; Galician/Portuguese in Galicia; and Basque in the Basque country.

Hotels and other tourist infrastructure: Spanish hotels are comparable to those found in the rest of the EU. Spain has a good network of hotels all over the country. The

"paradores," a chain of national hotels, offer good accommodations, usually in very scenic and/or historic settings. A hotel is always easy to find when traveling in Spain.

Car rental services can be found in major cities, airports and hotels. Most of the large U.S. car rental companies are established in Spain.

### Shopping

Food is of excellent quality in Madrid and other principal cities. Although many American products are hard to find, certain supermarkets carry a wide range of local and imported products.

### Temporary Entry of Laptop Computers and Working Material.

Laptop computers for personal/business use do not require any special documentation. Occasionally, the Customs service at Madrid's Barajas airport [tel. (34/91) 393-7552], decides shipping a laptop constitutes a temporary importation requiring the presentation of a warrant: a cash deposit or a statement from a Spanish bank stating an import tax will be paid if the equipment is sold in Spain. Before leaving Spain, the equipment and necessary forms should be taken to the Customs Office at Barajas airport for reimbursement of the deposit.

### FOR MORE INFORMATION

U.S. Business Travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: "Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel. (202) 521-1800; Fax: (202) 512-2250. Business travelers to Spain seeking appointments with U.S. Embassy Officials in Madrid should contact the Commercial section in advance. The Commercial section can be reached by telephone at (34/91) 564-8976 or by fax at (34/91) 563-0859.

### Appendix A: The Domestic Economy

	1999	2000	2001 (projected)
GDP current prices (USD bil.)	595.3	558.3	575
GDP Growth Rate (%)	4.0	4.1	3.2
GDP per capita (USD)	14,995	13,992	14,775
Government Spending (% of GDP)	N/A	N/A	N/A
Inflation (%)	2.9	4.0	2.0
Unemployment (%)	15.9	13.6	12.7
Foreign Exchange Reserves (USD bil.)	39.7	35.2	41.0
Average Exchange rate (pta/USD)	156.33	180.678	190.0 (estimated)
Debt Service Ratio	N/A	N/A	N/A

Source: INE, Banco de España

*Appendix B: Trade Statistics (in USD billions)*

	1999	2000	2001 (projected)
Total Spanish Exports	109.4	113.7	122.9
Total Spanish Imports	133.1	153.4	170.1
U.S. Exports to Spain	7.785	8.039	8.205
U.S. Imports from Spain	4.818	5.508	6.666

Source: Ministry of Economy and Finance's Boletín Económico and Customs Department

United States Embassy in Spain

Address: Serrano, 75  
28006 Madrid  
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Mailing Address: American Embassy  
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APO AE 09642

Ambassador:	Vacant
Chargé d'Affaires, a.i.:	Heather M. Hodges
Deputy Chief Of Mission:	Heather M. Hodges
Counselor for Public Affairs:	Pamela Corey-Archer
Counselor for Agricultural Affairs:	Lloyd Fleck
Counselor for Admin. Affairs:	Carol Urban
Counselor for Economic Affairs:	Judith Garber
Counselor for Political Affairs:	Michael Butler
Counselor for Consular Affairs:	Alcy Frelick
Defense Attache:	Capt. John B. Gregor
Office of Defense Cooperation:	COL. Jere S. Medaris
Consul General Barcelona:	Carol Perez

*The Commercial Service:*

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American Embassy Madrid  
Commercial Service  
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28006 Madrid, Spain

Counselor for Commercial Affairs:  
Commercial Attaché:

Michael Liikala  
Stephen Morrison

- Barcelona:

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American Consulate General Barcelona  
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Principle Commercial Officer:

Alan Long

### *BuyUSA*

BuyUSA is an e-marketplace sponsored by the U.S. Commercial Service. This service can help bring suppliers of U.S. products and services together with international buyers outside the United States. In addition, this dynamic program maximizes your international exposure while minimizing the cost of finding reputable international partners and reduces the time needed to identify international opportunities. BuyUSA is yet another example of how the Commercial Service provides real-world assistance to help U.S. exporters move into international markets.

For more information on the services provided by BuyUSA, we invite you to contact our new website <http://www.buyusa.com>.

*U.S.DOC Country Desk:*

Jason Gomberg



Spain and Portugal Desk Officer  
U.S. Department of Commerce  
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fax: (202) 482-2897

TPCC Trade Information Center: 1-800-USA-TRADE

*Foreign Agricultural Service:*

Address:  
Paseo de la Castellana, 52 - 2 floor  
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Mailing Address from the United States:  
Office of Agricultural Affairs  
American Embassy-Madrid  
PSC #61 (Box-20)  
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Lloyd Fleck  
Leslie O'Connor

Area Officer  
Forrest Geerken  
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U.S. Department of Agriculture  
Foreign Agricultural Service  
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U.S. Department of Agriculture  
Foreign Agriculture Service  
Trade Assistance and Promotion Office  
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*U.S. Government Organizations, Washington, DC*

U.S. Department of State  
Office of Business Affairs

tel: (202) 746-1625  
fax: (202) 647-3953

Overseas Private Investment Corporation (OPIC)  
tel: (202) 336-8799

*Spanish Government Organizations*

Ministerio de Agricultura, Pesca y Alimentación  
(Ministry of Agriculture, Fisheries, and Food Products)  
Paseo de la Infanta Isabel, 1  
28014 Madrid  
tel: (34/91) 347-5000

Secretaría General de Producciones y Mercados Agrarios  
Ministerio de Agricultura, Pesca y Alimentación  
(Secretary General of Agricultural Production and Markets)  
Jose Abascal, 4  
28003 Madrid  
tel: (34/91) 347-6600

Dirección General de Sanidad Agraria  
(Department of Agricultural Health)  
Velázquez, 147  
28002 Madrid  
tel: (34/91) 347-8233/4  
fax: (34/91) 577-6232

Dirección General de Salud Pública y Consumo  
Ministry of Health and Consumer Affairs  
Paseo del Prado, 18-20  
28014 Madrid  
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fax: (34/91) 596-4409

Subdirección General de Comercio Exterior de Productos de Origen Animal y sus Derivados  
(Department of External Commerce for Animals and Animal By Products)  
tel: (34/91) 349-3780  
fax: (34/91) 349-3806

Secretaria de Estado de Asuntos Europeos  
Ministerio de Asuntos Exteriores  
(Secretary of State for European Affairs, Ministry of Foreign Affairs)  
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Instituto de Comercio Exterior (ICEX)

(Spanish Institute for Foreign Trade)  
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28046 Madrid, Spain  
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Dirección General de Comercio e Inversiones  
(General Directorate of Commerce and Investments)  
Paseo de la Castellana, 162  
28046 Madrid, Spain  
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*Chambers of Commerce*

Consejo Superior de Cámaras  
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Camara Oficial de Comercio e Industria de Madrid  
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Camara Oficial de Comercio, Industria y Navegación de Bilbao  
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Spain-U.S. Chamber of Commerce  
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American Business Council  
Mr. Juan Soto Serrano  
President  
American Business Council  
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THE BOSTON CONSULTING GROUP

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DUN & BRADSTREET SA

Salvador de Madariaga, 1  
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fax: (34/91) 377-9101

ERNST & YOUNG

Plaza Pablo Ruiz Picasso, s/n  
Torre Picasso  
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fax: (34/91) 572-7427

PRICE WATERHOUSE COOPERS

Paseo de la Castellana, 53  
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*Spanish Banks:*

BANESTO

Contact: Mr. Alfredo Saenz, President  
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BANCO GUIPUZCOANO

Contact: Mr. Jose Maria Aguirre, President  
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28046 Madrid  
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[www.bancogui.es](http://www.bancogui.es)

BANCO DE BILBAO VIZCAYA ARGENTARIA

Contact: Mr. Emilio de Ybarra, President  
Mr. Francisco González Rodríguez, President  
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fax: (34/91) 374 6202  
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**BANCO POPULAR ESPANOL**

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fax: (34/91) 577 9208

[www.bancopopular.es](http://www.bancopopular.es)

**BANCO SANTANDER CENTRAL HISPANO**

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28013 Madrid

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[www.lacaixa.es](http://www.lacaixa.es)

*American Banks in Spain:*

**BANK OF AMERICA, S.A.E.**

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Paseo de la Castellana, 35 – 3rd floor

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**BANKERS TRUST COMPANY**

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**CHEMICAL BANK/CHASE BANK**

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CITIBANK, N.A.  
Contact: Mr. Alberto Díez Argote, Director General  
Velázquez, 31  
28001 Madrid  
tel: (34/91) 426 0782  
fax: (34/91) 426 0783  
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CITIBANK ESPAÑA, S.A.  
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Parque Industrial "La Moraleja"  
28100 Alcobendas (Madrid)  
tel: (34/91) 663 1000  
[www.citibank.es](http://www.citibank.es)

JP MORGAN-CHASE  
Contact: Mr. Emilio Saracho Rodríguez de Torres, Director Manager  
Jose Ortega y Gasset, 29  
28006 Madrid  
tel: (34/91) 516 12 00  
fax: (34/91) 516 16 16

#### *E-Commerce*

Federacion Española de Comercio Electronico y Marketing Directo  
(Spanish Federation of E-commerce and Direct Marketing)  
Avda. Diagonal, 437, 5º 1ª  
08036 Barcelona  
tel: (34/93) 240-4070  
fax: (34/93) 201-2988  
Web-site: <http://www.fecemd.org/>  
email: [fecemd@fecemd.org](mailto:fecemd@fecemd.org)

Asociacion Española de Comercio Electronico  
(Spanish Association of E-commerce)  
Avda. Diagonal, 437, 5ª planta  
08036 Barcelona  
tel: (34/93) 240-3133  
fax: (34/93) 240-3134  
Web-site: <http://www.aece.org>  
email: [aece@aece.org](mailto:aece@aece.org)

Asociación de Usuarios de Internet  
(Association of Internet Users)  
Mesena, 71 bajo A

28033 Madrid  
tel: (34/902) 210-323  
fax: (34/91) 302-6177  
Web-site: [www.aui.es](http://www.aui.es)  
email: [infoaui@ui.es](mailto:infoaui@ui.es)

COMMERCE NET  
(Spanish E-Commerce Association)  
Avda. Mediterraneo, 11 – 1B  
28007 Madrid  
tel: (34/91) 434-1149  
fax: (34/91) 552-8006  
Web-site: [www.commercenet.org](http://www.commercenet.org)  
Email: [feedback@commercenet.org](mailto:feedback@commercenet.org)

#### Other Helpful Web-sites

##### *Online Banking:*

[www.ceca.es](http://www.ceca.es) (Confederation of Savings Bank)  
[www.bsch.es](http://www.bsch.es) (Banco Santander Central Hispano - largest bank)  
[www.bbva.com](http://www.bbva.com) (Banco Bilbao Vizcaya Argentaria - 2nd largest bank)

##### *Online Construction:*

[www.e-uralita.com](http://www.e-uralita.com) (B2B construction)  
[www.eporticus.com](http://www.eporticus.com) (construction)  
[www.e-difica.com](http://www.e-difica.com) (B2B construction industry)  
[www.cnc.es](http://www.cnc.es) (National Confederation of Construction Companies)

##### *Online Energy/Utilities:*

[www.endesamarketplace.com](http://www.endesamarketplace.com) (B2B energy)  
[www.B2Benergia.com](http://www.B2Benergia.com) (energy)  
[www.agbar.es](http://www.agbar.es) (energy/environment)  
[www.gasnaturalsdg.es](http://www.gasnaturalsdg.es) (Gas Natural)  
[www.endesa.es](http://www.endesa.es) (Endesa - large utility)

##### *Online consulting firms:*

[www.adade.es](http://www.adade.es) (leading consulting firm)  
[www.ey.com](http://www.ey.com) (Ernst&Young - consultants)

##### *Online shopping/entertainment:*

[www.abcseirano.com](http://www.abcseirano.com) (distribution - shopping mall)  
[www.elcorteingles.es](http://www.elcorteingles.es) (El Corte Ingles - largest department store)  
[www.consumalia.com](http://www.consumalia.com) (B2B Non-strategic goods)  
[www.supertiendaviaplus](http://www.supertiendaviaplus) (largest virtual store)



[www.hoteles-restaurantes.com](http://www.hoteles-restaurantes.com)

*Online Telecommunications:*

[www.telefonica.com](http://www.telefonica.com) (Telefonica - telecommunications)

*Media online:*

[www.recoletos.es](http://www.recoletos.es)

[www.elpais.es](http://www.elpais.es)

[www.abc.es](http://www.abc.es)

[www.lavanguardia.es](http://www.lavanguardia.es)

*Agricultural Associations:*

ASOCIACION ESPAÑOLA PARA EL COMERCIO EXTERIOR DE CEREALES

(Spanish Association for Commerce)

Orense, 85 - Edif. Lexington

28020 Madrid

tel: (34/91) 567 8400

fax: (34/91) 571 4244

DRY MILLER ASSOCIATION

Felix Boix, 7-Tercero F

28036 Madrid

tel: (34/91) 345-1685

ASOCIACION DE INDUSTRIAS DE LA CARNE

(Association of Meat Industries)

General Rodrigo, 6 , Planta 12

28003 Madrid

tel: (34/91) 554-7045/46

fax: (34/91) 554-7849

ASOCIACION ESPAÑOLA DE EMPRESAS DE LA CARNE (ASOCARNE)

(Association of Meat Businesses)

Infanta Mercedes, 13-4

28020 Madrid

tel: (34/91) 571-6855/53/04/56

fax: (34/91) 571-6854

Telex 43950 ASOC-E

FEDERACION CATALANA DE INDUSTRIAS CARNICAS (FECIC)

(Catalan Federation of Meat Industries)

Via Layetana, 36, 1º 1ª

08003 Barcelona

tel: (34/93) 268-2631

fax: (34/93) 268-0390

CONFEDERACION ESPAÑOLA DE ALIMENTOS COMPUESTOS PARA ANIMALES

(Spanish Federation for Prepared Foods, for Animals)

Diego de Leon, 54  
Escalera B-5D  
28006 Madrid  
tel: (34/91) 563-3413  
fax: (34/91) 561-5992

FEDERACION DE INDUSTRIAS LACTEAS  
(*Lactic Products Federation*)  
Ayala, 10  
28001 Madrid  
tel: (34/91) 576-2100  
Fax:(34/91) 576-2117

ASOCIACION NACIONAL DE PRODUCTORES DE POLLOS  
(National Association of Poultry Producers)  
Diego de Leon, 33-Cuarto  
28006 Madrid  
tel: (34/91) 562-4293  
fax: (34/91) 562-3231

ASOCIACION ESPANOLA DE PRODUCTORES DE HUEVOS  
(Spanish Egg Producers Association)  
Juan Montalbo, 5, 1º D  
28040 Madrid  
tel: (34/91) 598-5920  
fax: (34/91) 456-0532

AFOEX  
(Oilseed Crushers Association)  
Principe de Vergara, 80  
Planta 1-A  
Madrid, Spain  
tel: (34/91) 563-1033  
fax: (34/91) 562-1424

ASOCIACION ESPAÑOLA DE PRODUCTORES DE GANADO VACUNO de CARNE  
(ASOVAG)  
(Spanish Livestock Producers Association)  
c/ Pelayo, 42, 3ª Planta  
08001 Barcelona  
tel: (34/93) 301-4038  
fax: (34/93) 318-9317

ASOCIACION NACIONAL DE PRODUCTORES DE GANADO PORCINO  
(National Association of Pork Producers)  
Juan Bravo, 69 Entreplanta  
28006 Madrid  
tel: (34/91) 402-2272  
fax: (34/91) 402-2268  
ASOCIACION ESPAÑOLA DE IMPORTADORES DE MADERAS  
(Spanish Wood Importers Association)

Flora, 3  
28013 Madrid  
tel: (34/91) 547-9745  
fax: (34/91) 547-3980

AITIM  
Asociación de Investigaciones de Industrias de la Madera y el Corcho  
(Research Association for Wood and Cork Industries)  
Flora, 3  
28013 Madrid  
tel: (34/91) 542-5864  
fax: (34/91) 559-0512

APROSE  
(Seed Producers Association)  
Desengaño, 10  
28004 Madrid  
tel: (34/91) 521-5517  
fax: (34/91) 521-1238

CENTRO ALGODONERO NACIONAL  
(National Cotton Producers Center)  
Via Layetana, 32-34  
Planta 3  
08003 Barcelona  
tel: (34/93) 319-8950  
fax: (34/93) 319-8962

ASOCIACION DE TRANSFORMADORES  
DE MAIZ POR VIA HUMEDA (HUMAIZ)  
(Wet Millers Association for Corn)  
San Hermenegildo, 28 - 2B  
28015 Madrid  
tel: (34/91) 711-4599  
fax: (34/91) 518-0999

*Grain Marketing:*

LLOTJA DE CEREALS DE BARCELONA  
(Cereal Market of Barcelona)  
Lonja de Cereales  
Casa Lonja del Mar  
Paseo de Isabel II, 1  
08003 Barcelona  
tel: (34/93) 319-6525  
fax: (34/93) 319-2780

A complete list of market research is available on the NTDB.

- a) U.S. & Foreign Commercial Service

Industrial Subsector Analyses scheduled to be submitted between July 2001 and July 2002

- B2B, June 2001
- Tourism & E-Commerce, June 2001
- Franchising in Spain, June 2001
- Medical Equipment, June 2001
- Tourism & Infrastructure, June 2001
- Logistics, June 2001
- Hotel & Restaurant Equipment, June 2001
- Packaging Equipment, June 2001
- Water Treatment, August 2001
- Renewable Energy, August 2001
- Apparel, Textiles, August 2001
- Liberalization of Energy Sector, August 2001
- Aircraft & Parts, August 2001
- Construction, August 2001
- Auto Sector, August 2001
- Elec. Equipment Waste, August 2001
- Energy Services, August 2001
- Computer Hardware, August 2001
- Computer Software, August 2001
- Study in the U.S., September 2001
- Biotechnology, September 2001
- Ind. Electr. & Automation & Proc. Electric Components & Semi Conductors, September 2001
- Industrial Valves & Pumps Machine Tools, Metal Stamping, Equipment, September 2001
- Soil Redemption, September 2001
- Air Pollution, September 2001
- Jewelry, September 2001
- Cosmetics, September 2001
- Commerce Marine Equip., September 2001
- Tourism, March 2002
- Energy Efficiency, May 2002
- Ground Support Equipment, May 2002
- Military Defense Procurement, May 2002
- Venture Capital Services, May 2002
- Auto Repair Maintenance Equipment, June 2002
- Medical Equipment, June 2002
- Remediation of Contaminated Sites, June 2002

b) Agricultural Market Research. Foreign Agricultural Service, FAS

Following are the agricultural reports submitted from August 2000 to June 2001 by FAS - Madrid and are on the FAS homepage ([www.fas.usda.gov](http://www.fas.usda.gov)).

August 2000

- Livestock Annual
- Poultry Annual

- Tree Nuts Annual

September 2000

- Fresh Deciduous Annual

October 2000

- Canned Deciduous Annual
- Fishery Products
- Strawberry Annual
- Dairy Annual

November 2000

- Citrus Annual
- Retail Foods Sector
- Avocado Annual

December 2000

- Wine Annual
- Solid Wood Annual
- Tomatoes Semi-Annual

January 2001

- Fresh Deciduous Semi Annual
- Food Processing Sector
- HRI Food Service Sector
- Kiwifruit Annual

February 2001

- Livestock Semi-Annual
- Tree Nuts Semi-Annual

April 2001

- Grain & Feed Annual
- Canned Deciduous Semi-Annual

May 2001

- Tobacco Annual
- Citrus Semi-Annual
- Tomatoes Annual

June 2001

- Cotton Annual
- Oilseed Annual

Note: No reports need to be submitted during the month of July.

a) Events organized by the U.S. Commercial Service

*November 2001*

Governor Bush of Florida Trade Mission  
Coordinator Madrid: Steve Morrison  
tel: (34/91) 564-8976  
fax: (34/91) 563-0859

SIMO TCI, Feria Internacional de Informatica, Multimedia y Comunicaciones  
Coordinator Barcelona: Emilio Arranaz  
tel: (34/93) 280-2227  
fax: (34/93) 205-7705

*February 2002*

FITUR '02 (Travel and Tourism Show)  
Coordinator Madrid: Helen Crowley  
tel: (34/91) 564-8976  
fax: (34/91) 563-0859

*March 2002*

Spanish Machine-Tool Biennial, Bienal Espanola de la Maquina Herramienta  
Coordinator Barcelona: Emilio Arranaz  
tel: (34/93) 280-2227  
fax: (34/93) 205-7705

*June 2002*

EXPOCOMM 2002 (Telecommunications Trade Fair)  
Coordinator Madrid: Jesus Garcia  
tel: (34/91) 564-8976  
fax: (34/91) 563-0859

*September 2002*

La Cumbre Travel and Tourism Show  
Coordinator Barcelona: Monserrat Canela  
tel: (34/93) 280-2227  
fax: (34/93) 205-7705

a) Events organized by Foreign Agricultural Service - Madrid

*October 2001*

CONXEMAR, Vigo  
Coordinator Madrid: Magdalena Escudero  
Tel: (34) 91-562-1453  
(34) 91-564-5275  
Fax: (34) 91-564-9644

*March 2002*

ALIMENTARIA 2002, Barcelona

Coordinator Madrid: Magdalena Escudero

Tel: (34) 91-562-1453

(34) 91-564-5275

Fax: (34) 91-564-9644

- Alimentaria alternates between Barcelona and Lisbon - even years in Barcelona, odd in Lisbon.